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ABSTRACT

Correlated to the Economics and Entrepreneurship Teaching Strategies Master Curriculum Guide, this book features 66 student activities, case studies, comprehension quizzes, and lessons related to economic concepts. Designed for high school students of economics, social studies, and business education, this curriculum guide combines study of basic economics concepts with an understanding of entrepreneurship with such examples as: "Entrepreneurs-then and now" (examples such as Benjamin Franklin, Milton Bradley and Berry Gordy, Jr.); "What would you do if you won the lottery?"; "The circular flow of resources, goods, services, and money payments"; "Invention, innovation, and entrepreneurship"; "Ripple effects in the workplace: microcomputers"; and "How big is the profit slice of pie?" (AA)

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STUDENT ACTIVITIES

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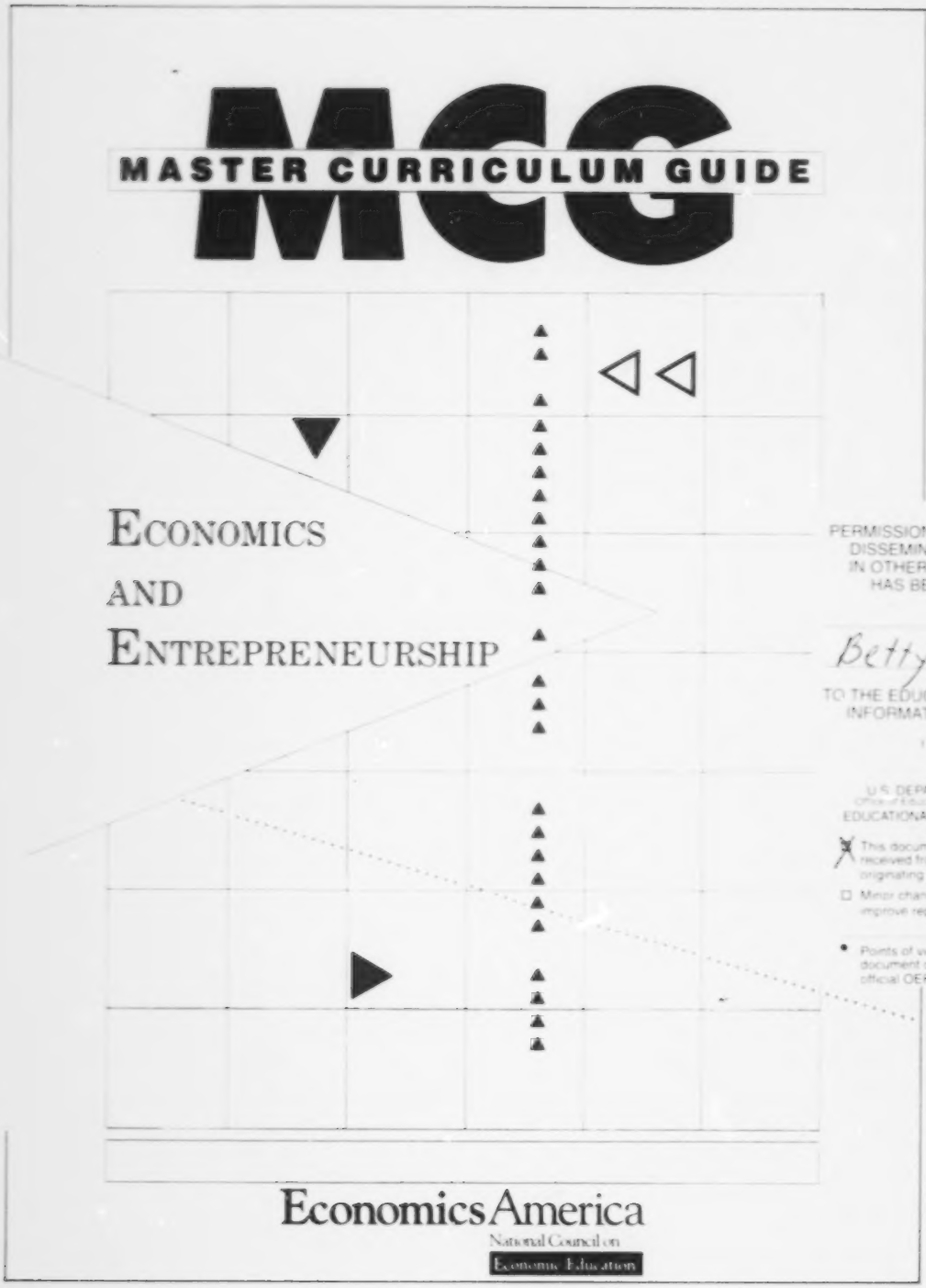
MASTER CURRICULUM GUIDE



ECONOMICS AND ENTREPRENEURSHIP

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ACTIVITY 1 • PART A

Entrepreneurs—then and now
Benjamin Franklin
1706–1790

Benjamin Franklin was one of 17 children of a poor but honest candlemaker in Boston. There was not enough money to allow him to go to school so he became an apprentice printer to his brother. This was an unhappy relationship because, like many brothers, they agreed on little and did not work well together. While a teenager, Franklin ran away and eventually went to England where he perfected his skills as a printer.

He returned to the United States and was recognized as one of the most skilled printers in the colonies. He moved to Philadelphia in the late 1720s. He found it was difficult to become established as a printer in Philadelphia because there was a large number of other printers already in business. The only way he could succeed was to do it better. He started a new newspaper, *The Pennsylvania Gazette*. What made his paper a success was that it included many entertaining and clever sayings, as well as being written in a light and sometimes comical fashion.

But by far Franklin's most profitable enterprise was *Poor Richard's Almanack*, which he published annually between 1732 and 1757. What made *Poor Richard's Almanack* unique was that it was "a book for every member of the family." It included recipes, poetry, historical dates, maps, and the times of the court sessions. For parents, the almanac was arranged so that they could use it to teach their children the alphabet and how to read. The sales of *Poor Richard's Almanack* ultimately reached 10,000 copies a year—second only to the Bible in the colonies.

Franklin was also the first person to believe in newspaper advertising. He recognized that the price of newspapers to the public could be kept down if part of the cost was picked up by advertisers. But he could not convince other businesses to advertise in his newspaper. So he began by advertising an invention of his own, the Franklin stove. The stove was an ingenious device that was a superior way of heating cold and drafty colonial homes. Sales of his stove boomed due to advertising.

Other colonial merchants began to advertise, too. In addition to being a shrewd businessman, Franklin was also a great inventor. In fact, only Thomas Edison has more inventions to his credit than does Benjamin Franklin. He experimented with electricity. He invented bifocal glasses. He devised a variety of medicines.

Franklin became one of America's greatest statesmen. He was also a great philanthropist. It was said of him that his life contained the unique elements that are identified in the American business success story: ambition, creative enterprise, self-education, research and invention, community service, and philanthropy.

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ACTIVITY 1 • PART B

Entrepreneurs–then and now
Milton Bradley
1836–1911

Milton Bradley Games

When Abraham Lincoln first grew a beard during the 1860 presidential campaign, it almost spelled financial ruin for a young Massachusetts lithographer named Milton Bradley.

The owner of a Springfield print shop, Bradley had been cashing in on the upcoming election by reproducing a portrait that showed the Republican candidate with a hairless chin. When Lincoln suddenly rendered the likeness obsolete, Bradley was forced to destroy several hundred thousand prints. This put the lithographer on the razor's edge of bankruptcy, until a friend suggested that he try inventing a board game, which he could then print with his idle press.

Bradley followed his friend's advice and came up with the *Checkered Game of Life*, a contest in which players racked up points by landing on squares with words like *Truth* and *Honor*, while avoiding ones with *Ruin* and *Intemperance*. Peddling the game personally throughout New York and New England, Bradley sold 45,000 copies the first year. Shortly thereafter he became the top game manufacturer in the United States, a multimillionaire and—undoubtedly—one of the biggest fans of Abe Lincoln's beard.

Source: Fucini, J. & S. *Entrepreneurs: The Men and Women Behind Famous Brand Names and How They Made It.* G. K. Hall & Co. © 1985. Reprinted with the permission of G. K. Hall & Co., Boston.

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ACTIVITY 1 • PART C

Entrepreneurs – then and now

Maurice McDonald

1902–1971

Richard McDonald

1909–

McDonald's Hamburgers

Brothers Maurice and Richard McDonald left their New Hampshire village of Bedford for Hollywood in 1928 with dreams of becoming actors.

It wasn't on theater marquees, however, but under the golden arches of a San Bernardino hamburger restaurant that the two would later see their name in lights. After failing to make it as actors, the McDonalds ran several businesses, including a movie theater, before opening their hamburger stand in 1948. Unlike similar restaurants that prepared food to order, the McDonalds' stand served precooked, ready-to-go hamburgers for 15¢.

In 1954 their business caught the attention of Ray Kroc (1902–1984), a former big-band pianist who was then working as a sales agent for a milkshake mixer firm. Kroc convinced the brothers to allow him to sell the McDonalds' name and concept to other restaurant operators.

There were some 300 McDonald's franchises by 1961, when Kroc bought out the brothers (who then retired) for $2.7 million.

Although this sum would seem small compared to the company's eventual success, the brothers remained philosophical. "We didn't know if this was just a fad that would peter out," Richard McDonald recalled in 1983, "but I have no regrets."

Source: Fucini, J. & S. *Entrepreneurs: The Men and Women Behind Famous Brand Names and How They Made It.* G. K. Hall & Co. © 1985. Reprinted with the permission of G. K. Hall & Co., Boston.

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ACTIVITY 1 • PART D

Entrepreneurs–then and now
Berry Gordy, Jr.
1929–

Creator of the Motown Sound

There are very few individuals in this country, and probably around the world, who have not heard of or been influenced in some way by the Motown sound. The list of great stars is seemingly endless.

Smokey Robinson, Diana Ross, Marvin Gaye, The Temptations, Lionel Richie, The Jackson Five, and Stevie Wonder are only a few of these great performers who during the 1960s and 1970s put a lot of soul into the music world and the nation. The development and significance of the music, however, did not come about by accident. It was the direct result of the ambition and entrepreneurial ability of one man.

Berry Gordy, Jr., was born the seventh of eight children in Detroit on November 26, 1929. Although he never finished high school, Berry obtained his high school equivalency diploma while he served in the Army. When he left the service, he initially worked with his father, who was a plastering contractor. Berry then took a job at a Ford Motor Company plant where he made about $80 a week. Berry found the work not to his liking. He started, with a partner, a record store called the 3-D Mart, which failed shortly thereafter. However, a man of Berry's ambition, energy, and perseverance was not to be kept down for very long.

In 1959, Berry Gordy, Jr., borrowed $800 from his family and started a small record company. The company was not an instant success. It was not until 1962 that the company was in good financial shape. In that year, Motown had 11 Top Ten Rock and Blues hits and was firmly established in the recording industry. The number of hits continued to roll out of the studios and into the record stores throughout the nation. There have been a number of significant results from that initial investment of $800 by Berry Gordy, Jr. The fact that it has made him many millions of dollars over the years is only one. There is also the tremendous social impact that Motown Records has had in America. Through music the nation has developed a greater sense of togetherness as opposed to the discrimination and conflict of the time when Berry Gordy started the business. The gains made by many black entertainers and other professionals would not have been possible without the success of Motown.

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ACTIVITY 1 • PART E

Entrepreneurs—then and now
Laura Clough Scudder
1881–1959

Although Laura Clough Scudder had already achieved a place in history in 1918 as the first female attorney in Ukiah, California, when she died in 1959 she was hailed as the "Potato Chip Queen of the West." During her lifetime, Laura Scudder earned degrees in law and nursing, and built a home-grown potato chip business into a multimillion-dollar empire that spanned the West Coast.

In the 1920s grocery stores sold potato chips by the pound from glass display cases. Grocers put the chips in paper bags when they were purchased, and by the time the consumer arrived home, the chips were often stale and broken. Scudder decided that she could make better potato chips and invented a way to package them to keep them fresh. The new method of packaging provided the added advantage of allowing customers to serve themselves.

In 1926, Scudder produced her first batch of kettle-fried potato chips in the kitchen of her home. She began with 200 pounds of potatoes—washed, peeled, and sliced by hand. Later, the business was moved to a brick building that she and her husband built next to their home.

As the sales grew, Scudder hired other women to help. The employees took sheets of waxed paper home at night and hand-ironed them into bags. The next day at work, they filled the bags with fresh potato chips and sealed each bag at the top with more hot ironing.

During the early years of the business, the Scudder family delivered their bags of potato chips to stores in the family automobile. Soon, they found they needed to purchase a panel truck to deliver the growing number of bags sold. Originally delivering her Mayflower Potato Chips in southern California only, Scudder eventually branched out to include northern California, where grocers sold her chips under the name Blue Bird Potato Chip Company.

By 1953 Scudder's potato chip operation had outgrown the original plant and she opened a second manufacturing plant in Fresno, California. The business now employed 1,000 people and accounted for about 50 percent of the potato chip market in California. Annual sales climbed to $15 million. In 1957, Scudder sold her potato chip company to Signal Oil and Gas Company for nearly $6 million.

Source: Adapted from "From the Ground Up, The Entrepreneurs Behind Household Names," by Frances Huffman. Reprinted with permission from *Entrepreneur Magazine*, Irvine, CA, September 1989.

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ACTIVITY 1 • PART F

Entrepreneurs—then and now

Mary Anne Jackson

1954–

Juggling a career and motherhood, Mary Anne Jackson, 35, found herself devoting Sunday nights to preparing tasty, nutritious meals that would be easy for a baby-sitter to serve her young daughter when she was at work. When she lost her job, Jackson turned this Sunday night routine into a business.

Her company—My Own Meals, Inc.—is the first to mass-market packaged meals for children aged two to eight. The company produces five different meals with names such as "My Turkey Meatballs" and "Chicken, Please." The meals retail for less than $3.00 each.

The meals are pressure-cooked and vacuum-sealed in plastic pouches using a retort process, which makes them shelf-stable. The meals can be easily carried in a purse and heated at a friend's house. Because they are not frozen, they heat up in a few minutes. The retort packaging also enables Jackson to vie for shelf space in supermarkets rather than slots in the overcrowded frozen food section, which are harder to come by.

Since April 1988, the company has been selling meals through a supermarket chain in Illinois and through the mail. Company sales totaled $500,000 for the year.

Source: "100 Ideas: Meals for Tots," *Venture Magazine*, New York, NY. November 1988. Reprinted with permission.

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Name

ACTIVITY 2

Important traits for the successful entrepreneur

Rate the traits below in terms of how important you think they are for entrepreneurial success.

A "1" would indicate that you believe the trait is *relatively unimportant.*

A "2" would indicate that you believe the trait is *somewhat important.*

A "3" would indicate that you believe the trait is *very important.*

Not important 1	Somewhat important 2	Very important 3	Quality or trait
☐	☐	☐	1. a high level of energy
☐	☐	☐	2. good physical health
☐	☐	☐	3. a strong need to achieve
☐	☐	☐	4. a willingness to take risks
☐	☐	☐	5. a desire to create
☐	☐	☐	6. a need to closely associate with others
☐	☐	☐	7. a strong desire for money
☐	☐	☐	8. a willingness to tolerate uncertainty
☐	☐	☐	9. an ability to get along with employees
☐	☐	☐	10. being well organized
☐	☐	☐	11. self-reliance
☐	☐	☐	12. a need for power
☐	☐	☐	13. patience
☐	☐	☐	14. competitiveness
☐	☐	☐	15. desire and willingness to take the initiative
☐	☐	☐	16. self-confidence
☐	☐	☐	17. versatility (ability to do many things)
☐	☐	☐	18. perseverance (sticking at something difficult)
☐	☐	☐	19. innovativeness (willingness and ability to do something untried)
☐	☐	☐	20. ability to lead effectively

Source: Adapted from *Entrepreneurship* by William B. Jennings, Canadian Foundation for Economic Education, 1985.

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ACTIVITY 3

Ratings of traits by entrepreneurs

A. Most important for success

perseverance (18)
desire and willingness to take the initiative (15)
competitiveness (14)
self-reliance (11)
a strong need to achieve (3)
self-confidence (16)
good physical health (2)

B. Important for success

a willingness to take risks (4)
a high level of energy (1)
an ability to get along with employees (9)
versatility (17)
a desire to create (5)
innovativeness (19)

C. Least important for success

ability to lead effectively (20)
a willingness to tolerate uncertainty (8)
a strong desire for money (7)
patience (13)
being well organized (10)
a need for power (12)
a need to closely associate with others (6)

Source: Based on testing reported in "That Urge to Achieve," by D. C. McClelland in *Entrepreneurship and Venture Capital*, Prentice-Hall, 1975. (The numbers in parentheses correspond with the numerical listing shown for Activity 2.)

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Name

ACTIVITY 4

My entrepreneurial traits

To what degree do you believe you possess entrepreneurial traits?
Indicate your opinion by checking the boxes below.

A "1" would indicate that you feel you possess the trait to a *rather low degree*.

A "2" would indicate that you feel you possess the trait to a *moderate degree*.

A "3" would indicate that you feel you possess the trait to a *rather high degree*.

Low 1	Moderate 2	High 3	Quality or trait
☐	☐	☐	1. a high level of energy
☐	☐	☐	2. good physical health
☐	☐	☐	3. a strong need to achieve
☐	☐	☐	4. a willingness to take risks
☐	☐	☐	5. a desire to create
☐	☐	☐	6. a need to closely associate with others
☐	☐	☐	7. a strong desire for money
☐	☐	☐	8. a willingness to tolerate uncertainty
☐	☐	☐	9. an ability to get along with employees
☐	☐	☐	10. being well organized
☐	☐	☐	11. self-reliance
☐	☐	☐	12. a need for power
☐	☐	☐	13. patience
☐	☐	☐	14. competitiveness
☐	☐	☐	15. desire and willingness to take the initiative
☐	☐	☐	16. self-confidence
☐	☐	☐	17. versatility (ability to do many things)
☐	☐	☐	18. perseverance (sticking at something difficult)
☐	☐	☐	19. innovativeness (willingness and ability to do something untried)
☐	☐	☐	20. ability to lead effectively

Source: Adapted from *Entrepreneurship* by William B. Jennings, Canadian Foundation for Economic Education, 1985.

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Name

ACTIVITY 5

Julie's dream

Read the case study below; then answer the questions that follow.

As a high school and college student, Julie Smithson hardly ever followed the crowd. Her teachers were always amazed at her creativity and her willingness to work hard on any project that she tackled. She had a high energy level which enabled her to complete many tasks during a given amount of time.

After college, Julie worked as a buyer for a large department store in a major city. She purchased merchandise for the toddler's department in the store. After three years, she decided to return to her hometown. Her employer hated to see her resign because of the high-quality work that she did.

After returning home, she worked at various jobs in the area of sales. One of Julie's dreams was to own her own clothing store. She wanted to be her own boss. Her dad was willing to provide some money to help her get started. She would still have to get some financing from the bank. Since the area was growing rapidly, many new families were moving in. The schools were crowded with students, kindergarten through high school. Julie decided that a clothing store catering to high school and college students could be an exciting and hopefully profitable venture. A unisex theme would be carried out through the merchandise offered.

In August, just before everyone went back to school, she opened a boutique named "The Sharp Look." She hired one full-time person to work with her. During the first two months, many people visited the store, which was probably due to the advertising blitz she ran in the local paper.

After a year, she found that she did not have enough money to pay her employee, but her tax forms showed that she had made a small profit. She also was going to have trouble meeting the monthly payment on her bank loan. Also, her hired staff didn't stay with her very long. They did not like the way she interrupted them during their sales presentations. Julie interrupted because she wanted to make sure the customer was not misled. The accountant from her accounting service indicated that Julie should take advantage of some tax benefits offered by the government; she was reluctant to do so because she did not understand them. She also noticed that about half of her stock did not seem to be very popular.

Julie is in a predicament. Analyze her situation by answering these questions:

1. What are some indications that Julie took some positive, worthwhile actions during her first year of operation?

(*Continued*)

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2. What are some problems that Julie is having in her business?

3. Economists define human capital as the productive ability of people. The productive ability of a firm can be improved by more education of the people who work there. Human capital can be improved through many different ways, such as on-the-job training, course work, securing advice from others, reading literature or talking with others in the same field. Indicate the educational experiences that are necessary for "The Sharp Look" to operate more effectively.

4. Would this additional education be a cost to the firm? If so, how?

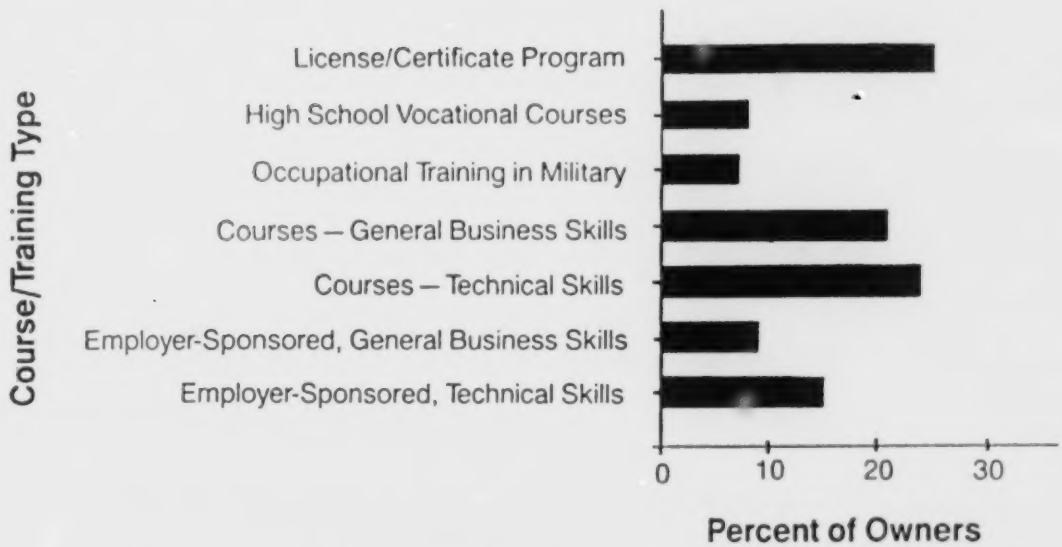
(Continued)

5. How can one tell if the investment in education is worth the time and money put into it?

6. Julie seemed to have many personal features required of an entrepreneur, such as creativity, intelligence, a willingness to work hard, a high energy level, and a desire to be her own boss. Is that all that is necessary to be a successful entrepreneur?

ACTIVITY 6

Additional courses and training taken by new business owners prior to starting new businesses



Source: Data developed and provided by The NFIB Foundation and sponsored by the American Express Travel Related Services Company, Inc. Reported in *Small Business Primer*, © 1988 The NFIB Foundation, p. 15.

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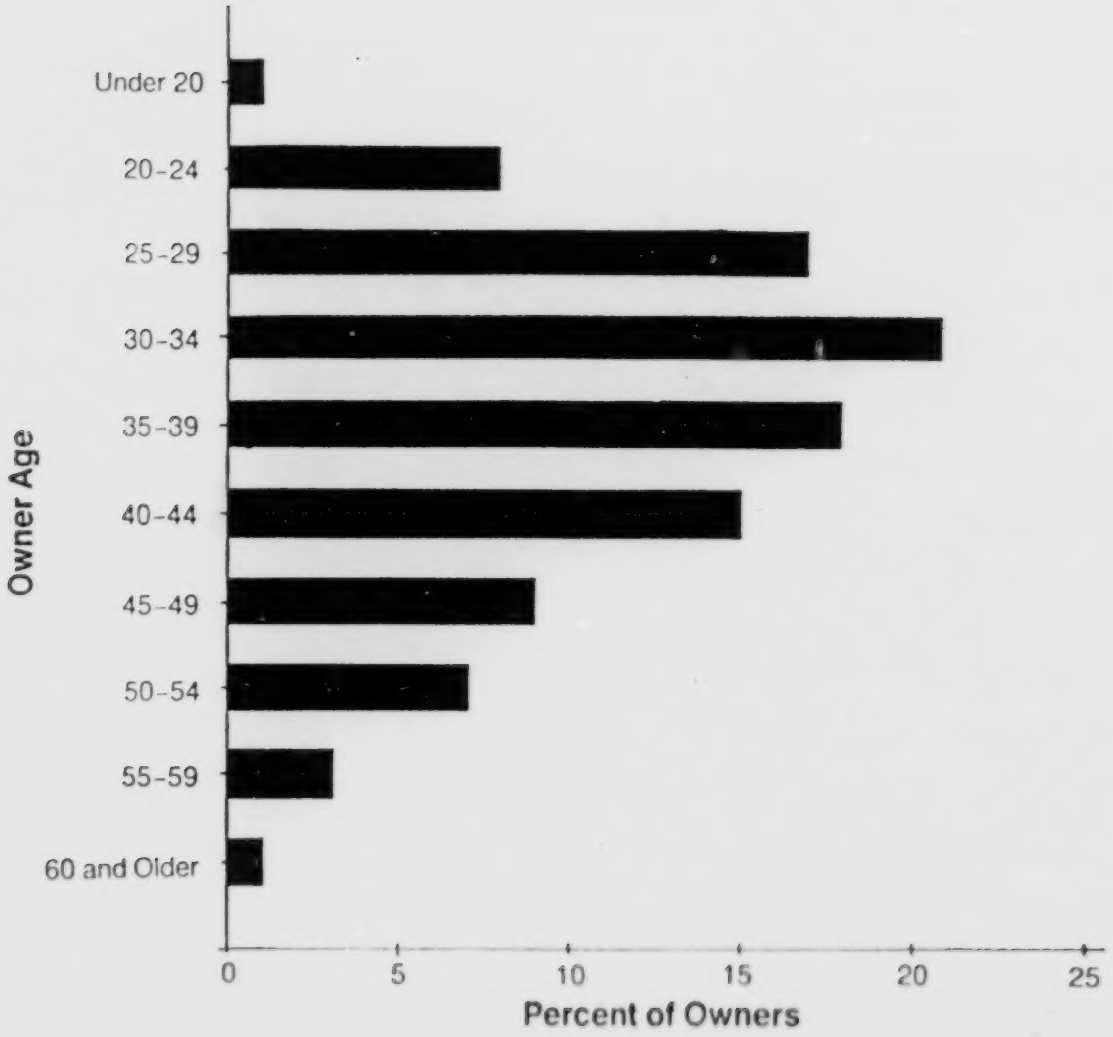
ACTIVITY 7

Owner age when business formed



Source: Data developed and provided by The NFIB Foundation and sponsored by the American Express Travel Related Services Company, Inc. Reported in *Small Business Primer*, © 1988 The NFIB Foundation, p. 11.

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19

Name

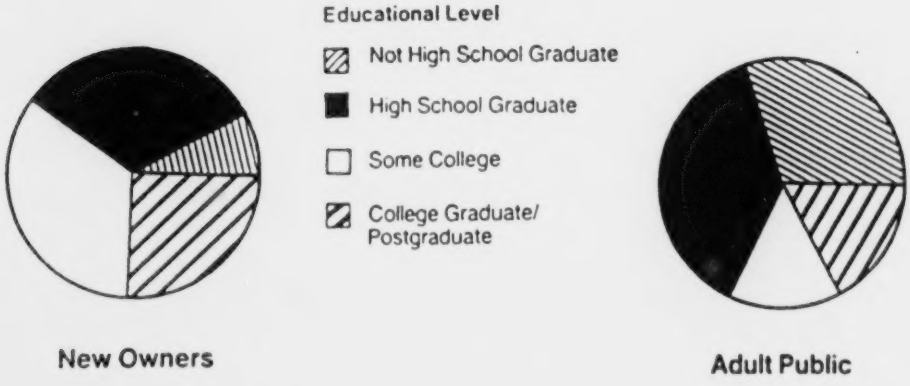
ACTIVITY 8

Formal education of new business owners and the adult public

INSTRUCTIONS

The pie charts below show the formal education of the adult public and the owners of businesses. Formal education is the number of educational steps or grades achieved by an individual. Study the pie charts to answer the questions that follow.

Formal Education of New Business Owners and the Adult Public



Source: The NFIB Foundation and Statistical Abstract of the United States, 1986. Reported in *Small Business Primer*, © 1988 The NFIB Foundation, p. 15.

1. Approximately what percent of the new owners are high school graduates?

   a. 70%–75% b. 50%–55% c. 35%–40% d. 10%–15%

2. Are any of the new business owners individuals who have not graduated from high school? If there are, approximately what percent?

   _____

(*Continued*)

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3. Approximately 30 to 35% of the adult public in 1986 did not graduate from high school. Was the percentage of non-high school graduates starting new businesses higher or lower than 30% to 35%? Why do you think this is true?

4. Approximately 20% of the public have graduated from college. Is the percentage of college graduates starting new businesses higher or lower than 20%?

5. Based on a comparison of the pie charts, what is a generalization that you can make about the formal education background of people starting new businesses when compared to the general public?

6. Can you think of reasons why new business owners have more education than the general public? List the reasons in the space below.

Name

ACTIVITY 9

Tony's production choice

Tony owns a small Italian restaurant where he sells takeout pizza and spaghetti dinners.

He doesn't have much space in his kitchen so there is a limit to the amount of food he can prepare during each evening. If he made nothing but pizza, he could produce 100 a night. On the other hand, he could produce 300 takeout dinners if he cooked only spaghetti. He could also make different combinations of the two products. Each additional pizza he makes means he is able to make three fewer spaghetti dinners, and vice versa.

Study the table Tony has made below and answer the following questions:

Time spent per product	Number of pizzas	Number of spaghetti dinners
all on pizzas	100 pizzas	0 dinners
3/4 on pizzas 1/4 on spaghetti	75 pizzas	75 dinners
1/2 on pizzas 1/2 on spaghetti	50 pizzas	150 dinners
1/4 on pizzas 3/4 on spaghetti	25 pizzas	225 dinners
all on spaghetti	0 pizzas	300 dinners

1. If Tony wants to make 75 pizzas a night, how many spaghetti dinners will he also be able to make?

   _____

2. If Tony decides to reduce his pizza production to 50 from 75, how many *more* spaghetti dinners will he be able to produce than before? _____

3. Identify examples of each factor of production that must have been used to produce one of Tony's pizzas.

   Land _____

   Labor _____

   Capital _____

   Entrepreneurship _____

(Continued)

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4. What would Tony's opportunity cost be if he decided to increase his production of pizzas from 75 to 100?

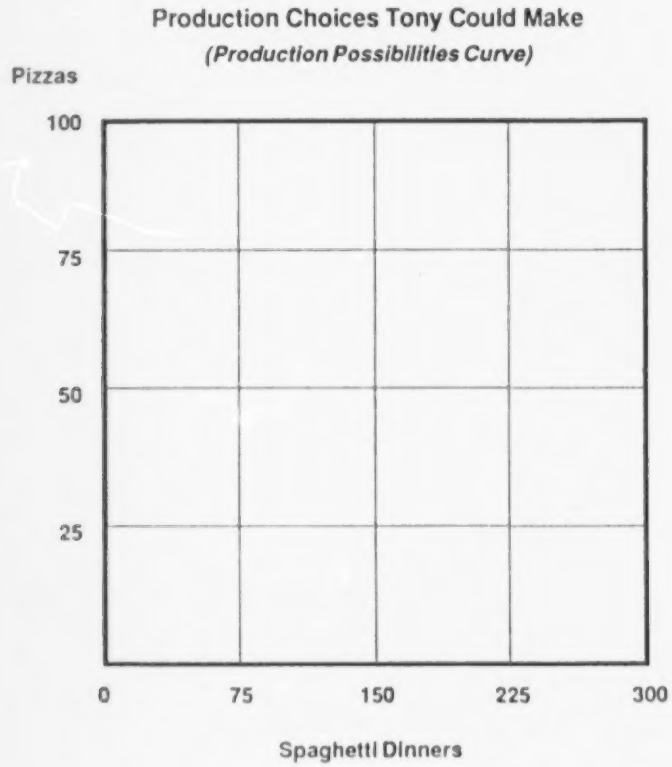
_____

5. How does this situation demonstrate the central economic problem of scarcity?

_____

_____

Now use the data from the table on the front of this sheet to draw a graph of the different production choices Tony could make.



Name

ACTIVITY 10

What would you do if you won the lottery?

Choose four people (at least one adult) to ask what they would buy if they won $1,000 in a lottery. Write their answers in the spaces below.
Be prepared to talk in class about their answers and the questions at the bottom of the page.

PERSON NO. 1 was male ☐ female ☐

about _____ years old.

This person would buy _____

PERSON NO. 2 was male ☐ female ☐

about _____ years old.

This person would buy _____

PERSON NO. 3 was male ☐ female ☐

about _____ years old.

This person would buy _____

PERSON NO. 4 was male ☐ female ☐

about _____ years old.

This person would buy _____

Think about the answers above and the questions below.
Be prepared to discuss these questions in class.

1. Why can't people have all the things they want?

2. How do people choose which things they want?

3. Why do different people want different things?

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ACTIVITY 11

Comprehension quiz, lesson 4

PART I

Read the statements below.
Place a "T" in front of each of the statements you think is true and ignore the space below.
Place an "F" in front of each of the statements you think is false; then write the statement correctly in the space provided.

1. Scarcity exists because many people do not have enough money.

2. It is necessary to have all four factors of production for production to take place.

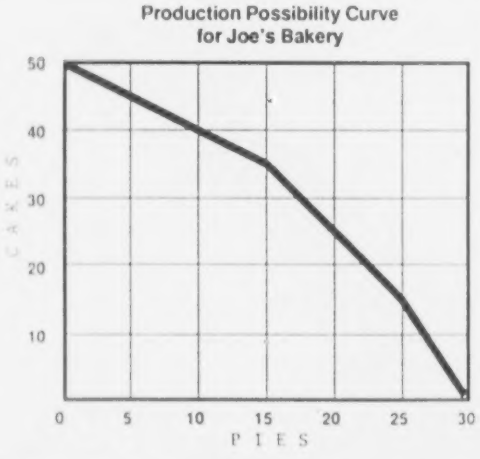
3. The four factors of production are land, labor, money, and entrepreneurship.

4. A production possibilities curve shows different combinations of two products that can be produced from a set of resources.

5. If I decide to spend $6 to go to a movie instead of using the money to buy a book, my opportunity cost is the value of the $6 I spent on the movie.

Part II

Study the graph to the right and answer the following questions.



6. If Joe is baking 35 cakes, how many pies can he bake?

7. If Joe decides to bake 25 pies, how many fewer cakes will he be able to produce?

8. What would be Joe's opportunity cost if he decided to use all his resources to make 30 pies?

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ACTIVITY 12

Basic economic systems

All countries have developed economic systems (ways of producing and distributing goods and services). Economic systems are used to answer the three basic economic questions: What goods and services are to be produced? How are goods and services to be produced? For whom are goods and services to be produced? Different types of economic systems have different mechanisms (methods) for answering these questions.

Type of economic system	What to produce?	How to produce?	For whom to produce?
MARKET ECONOMY	Business firms produce goods and services that consumers are willing and able to buy for prices that will yield profits for the firms.	Seeking to compete profitably in the marketplace, individual business owners decide what combinations of productive resources (land, labor, capital, and entrepreneurship) they will use in producing goods and services.	Finished goods and services are distributed to individuals and households who are willing and able to buy them.
COMMAND ECONOMY	A central planning authority (government agency) decides what goods and services to produce.	A central planning authority (government agency) decides what combinations of productive resources will be used in producing goods and services.	A central planning authority (government agency) decides who receive the goods and services that are produced.
TRADITIONAL ECONOMY	The goods and services produced today are the same as those produced in previous generations.	The combinations of productive resources used in producing goods and services are the same as those by past generations.	Finished goods and services are traded locally for other finished goods and services.

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ACTIVITY 13 • PART A

Scenarios for economic systems comparison

1. A new strain of low-cholesterol corn is developed.
2. The country's landfills are becoming scarce.
3. A baby boom has started.
4. There is an excess supply of steel.
5. A livestock killer bee has invaded the country.
6. The cost of milk has sharply increased.
7. Two neighboring countries are at war.
8. A shortage of nurses has occurred.
9. Denim coats are the new fad.
10. Medical research proves that citrus fruit causes high blood pressure.
11. Vans cause great damage to highways.
12. Vocational jobs are plentiful.

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ACTIVITY 13 • PART B

Response page

Situation No. ☐
Type of economic system: _____

Response of economic system to this situation:

Situation No. ☐
Type of economic system: _____

Response of economic system to this situation:

Situation No. ☐
Type of economic system: _____

Response of economic system to this situation:

Situation No. ☐
Type of economic system: _____

Response of economic system to this situation:

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ACTIVITY 14

Contributions of competition

- Can lead to lower prices
- Can lead to improved quality
- Can lead to larger variety of goods and services
- Can lead to better service
- Can lead to increased efficiency
- Can lead to greater sensitivity to consumers' needs and wants
- Can lead to faster responses to consumers' needs and wants
- Can lead to greater innovation

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ACTIVITY 15

Product competition in a market economy

PRODUCT: _____

Price: _____

_____

Quality: _____

_____

Variety: _____

_____

Service: _____

_____

Efficiency: _____

_____

Sensitivity: _____

_____

Response: _____

_____

Innovation: _____

_____

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ACTIVITY 16

Benefits of entrepreneurship to society

Entrepreneurs generate at least six overall benefits to society:

1. Increased competition
2. Economic growth
3. Increased employment
4. Altered distribution of income
5. Economic efficiency
6. Increased opportunities for all individuals

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ACTIVITY 17 • PART A

Entrepreneurs turn idle grain mill into highly automated flour producer

Entrepreneurs are turning a long-idled grain mill into a highly automated one that processes flour for spaghetti and macaroni products. John C. Miller, president of the company that owns and runs the operation, said that the start-up could mean a whole new crop for farmers and would attract other flour-related business such as pet food, animal food, and snack food companies.

The original mill was built shortly after WWII to produce animal feed, but since 1971 has been kept idle. Earlier this year the mill was renovated and new automated machinery was installed. Miller notes that the company has enough orders to operate the mill at capacity until next summer. He said the demand for pasta has been climbing an average of 5.6 percent a year in the past eight years and that the average American now consumes 13 pounds of pasta per year.

The plant, which is run by computer, takes only three people per shift to operate, but other workers are needed for maintenance, lab work, and other tasks. The mill's current work force of 20 is expected to expand to 35 by January.

QUESTIONS

1. What product was being produced by these entrepreneurs? _____

2. What did they do that was entrepreneurial? _____

_____

_____

3. List at least three benefits to people in society from the entrepreneurial effort. _____

_____

_____

_____

Source: "Entrepreneurs Turn Idle Grain Mill Into Highly Automated Flour Producer," by Thomas W. Gerdel, *The Plain Dealer*, December 25, 1987. Reprinted with permission.

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ACTIVITY 17 • PART B

Entrepreneurship and employment

A recent report issued by the United States Small Business Administration contained the following information. Last year new jobs in the American economy totaled over 4 million. Almost all of these jobs were generated by new or growing entrepreneurial businesses. Older, larger businesses actually reduced their level of employment by some 1.7 million workers. Increasingly, the United States economy has come to rely upon venture creators who also create jobs for America's growing work force.

It is not just the number of jobs that entrepreneurs create that makes them important to the economy. Over 90 percent of American workers first worked in a small and growing business. These businesses provide the first employment opportunities in which workers learn the skills and discipline necessary for success in later life.

Behind almost every job there is an entrepreneur. Even public sector jobs, such as police officers, teachers, and government workers, must be paid out of the tax revenues, which the government receives from private firms and the individuals employed by those firms. An entrepreneurial economy generates the additional tax dollars needed to support public services and public employment.

QUESTIONS

1. Who creates most of the new jobs in the economy? _____

2. Most entry level jobs are to be found in what kinds of firms? _____

3. Why are government jobs dependent upon the efforts of entrepreneurs? _____

Source: Adapted from a report on small business, U.S. Small Business Administration, 1985.

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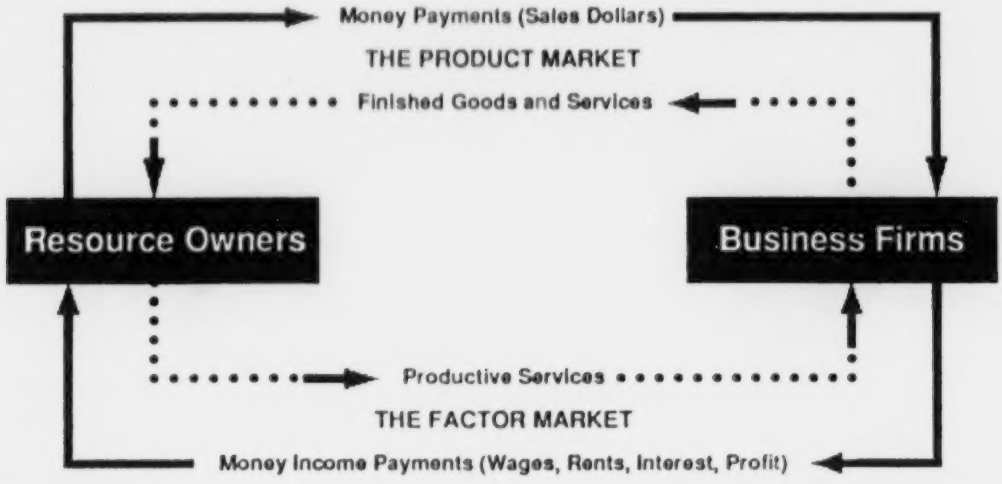
ACTIVITY 18

*The circular flow of resources, goods, services, and money payments**

INSTRUCTIONS

Read the events below. Place the number of each in the appropriate space on the circular flow model.

Event 1 Jill paid her bill at her local department store.	**Event 2** Yvon sold 100 acres of land to a firm that wants to build a factory on it.	**Event 3** Terry received a dividend from a corporation in which he owns stock.	**Event 4** Mrs. Chin purchased a rose bush from the nursery.
Event 5 Maria received her paycheck last Friday.	**Event 6** Todd took home a new shirt he chose at a store.	**Event 7** Mrs. Tomson earned $15,000 from the beauty shop she owns.	**Event 8** Tom had his car fixed at a local garage.
Event 9 Karen received $200 from a firm that rents a building she owns.	**Event 10** Shelly can't afford to buy a car so she leased one from a dealer.	**Event 11** Mr. Martinez received $500 interest payment for the corporate bond he owns.	**Event 12** The ABC Co. took delivery of a new furnace it needed to make brass fittings.



* *Source: A Framework for Teaching the Basic Concepts*, © Joint Council on Economic Education, New York, NY, p. 23.
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ACTIVITY 19

What happened in Upper Utopia?

Read the case study below; then answer the questions that follow.

For many years the economy of Upper Utopia worked well. Firms made reasonable profits, workers earned fair wages, stores had good sales, everyone had a good standard of living and was quite happy. However, no one was really rich.

Some workers and some entrepreneurs came to feel they needed more: more money, nicer houses, longer vacations, bigger cars, etc. As it turned out, the workers who wanted higher wages were employed by the businesses whose owners wanted bigger profits. When the workers demanded higher wages, the owners raised the price of their products even more. Soon the firm's sales fell. The owners made no profit and were unable to pay their workers. The workers were laid off and could not buy goods or services. Eventually the firm went out of business.

These events hurt other workers and businesses in the economy. The laid-off employees were unable to buy products manufactured by other firms. The closed business didn't buy raw materials, tools, or other factors of production. As a result, the entire economy went into a recession, which hurt everyone.

1. Where do firms earn the revenue that allows them to pay for the factors of production?

2. Where do people earn the money that allows them to buy goods and services?

3. If firms do not earn money, what will happen to their ability to pay for factors of production?

4. If people do not receive income, what will happen to their ability to purchase goods and services?

5. Explain why the factor and product markets depend on each other.

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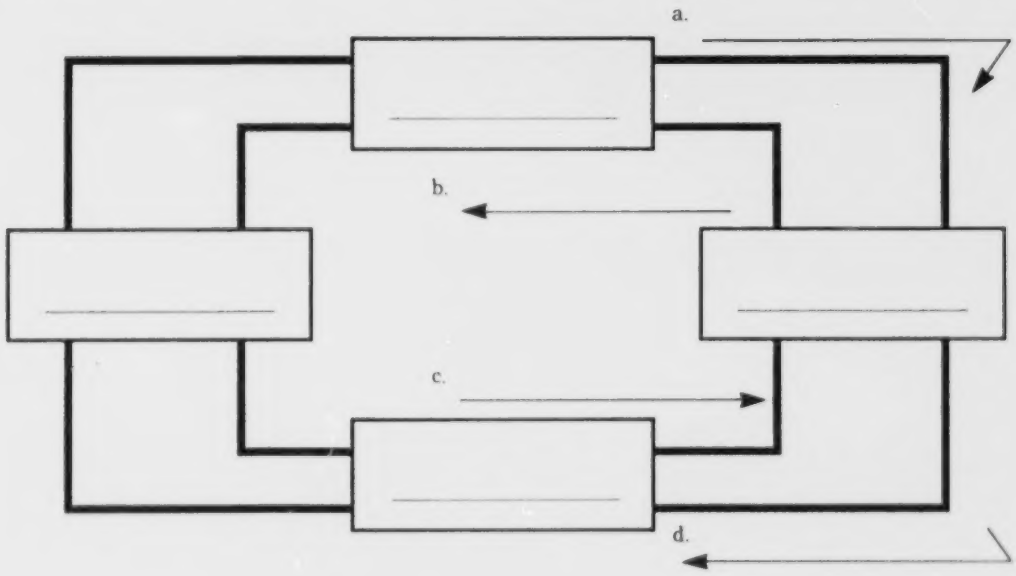
ACTIVITY 20

My family and me in the circular flow model

Below is a blank copy of the circular flow model. Label each part in the appropriate space. There is a letter at the start of some of the spaces. The same letters appear on the lines below the chart. For each letter, describe something you do, or a member of your family does, that fits into the blank on the circular flow model.



a. _____

_____

b. _____

_____

c. _____

_____

d. _____

_____

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ACTIVITY 21

Comprehension quiz, lesson 6

PART I

From the list below, choose the phrase that correctly completes the sentence and write the phrase in the appropriate blank.

factor market	derived	profit
product market	a mortgage payment	circular flow model

1. A _____ represents the flows of money, goods, and services, and other factors of production through the economy.
2. Food, shelter, and clothing are bought and sold in the _____ .
3. Land, labor, capital, and entrepreneurship are bought and sold in the _____ .
4. _____ is a part of the flow of money between the business and households that passes through the factor market.
5. _____ is a part of the flow of money between the households and business that passes through the product market.
6. Economists call the demand for factors of production _____ _____ demand.

PART II

Read the paragraph below and answer the following questions.

In 1849, when gold was first found at Sutter's Mill, there were very few people living in that part of California. Two years later thousands of people had moved there. Many people who never even looked for gold had jobs or ran businesses in the area.

7. Why were stores able to sell so many more goods in that part of California after the gold was found?

_____

8. Why were so many people able to find jobs working in stores there? _____

_____

9. When the gold ran out, why did many "boom towns" become "ghost towns"? _____

_____

10. How does this example demonstrate the idea of derived demand? _____

_____

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ACTIVITY 22

Responding to an entrepreneurial opportunity

Entrepreneurial Opportunity	Entrepreneurial Idea
Definition	**Definition**
A want, problem, or challenge that can be addressed, solved, and/or satisfied by an innovative initiative	A specific innovative way to satisfy a want, overcome a problem, or meet a challenge
Examples	**Examples**
People are increasingly conscious of the food they eat and the water they drink	A health food or fresh food restaurant
People are increasingly concerned about health and fitness	A new form of health club
There is a need for widespread education regarding AIDS	A new, innovative way to provide AIDS education
Many people are mystified by computers	A home education program on computers
Many people cannot read or write	A new type of program to combat illiteracy
Australia is very "in"	An Australian film festival

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ACTIVITY 23

Brainstorming technique

1. *Don't criticize another person's ideas.* Group members will tend to talk less if this happens. This means fewer ideas will be expressed. Group leaders should discourage such phrases as "That's a dumb idea."

2. *Encourage freewheeling.* The wilder the ideas, the better. It is easier to tame down a wild idea than it is to think up another one.

3. *Try for quantity.* The larger the number of ideas, the better the chances of getting good ones.

4. *Combine and build on the ideas of others.* Group members should state their own ideas. They should also suggest how the ideas of others could be turned into better ideas. Sometimes two or three ideas can be joined to form another idea.

One person started a brainstorming session by saying . . .

"What new products not now available are needed for the home? Here is your opportunity to dream up all those gadgets, appliances, etc., that you believe would make life more enjoyable."

These are a few of the ideas generated in the session:

- Suction cups on the bottom of egg beaters to prevent skidding in the bowl
- Venetian blinds so constructed that the slats in the upper or lower half can be opened or closed independently of the other half
- Switches for doorbells so you can turn them off when children are asleep or when you don't want to be disturbed

Get together with two or three people to practice brainstorming . . .

Start with the statement: "Name as many uses as you can for empty plastic household detergent bottles." How many did you list in your group? It will be interesting to compare your list with those of other groups in the class.

Even though brainstorming is used most often in groups, you can also use it alone. Follow these rules for individual brainstorming:

1. Don't judge your own ideas until you have finished the list. Never erase or scratch out an idea.

2. Do some freewheeling. Don't be afraid to write down some farfetched ideas.

3. Try for quantity. Remember, by writing down many ideas you increase your chances of getting good ideas.

4. Combine and improve. Write down all ideas that come to mind. Then add to the list by combining and improving ideas.

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ACTIVITY 24

Invention, innovation, and entrepreneurship

1. Answer the following questions:

a. What is the difference between an inventor and an entrepreneur?

b. Can an inventor and an entrepreneur be the same person? Explain your answer.

c. Are the same skills needed for the two roles?

(*Continued*)

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2. In the space provided, list two examples of an entrepreneurial opportunity and provide at least one entrepreneurial idea for each.

a. Entrepreneurial opportunity

_____

_____

Entrepreneurial idea(s)

_____

_____

b. Entrepreneurial opportunity

_____

_____

Entrepreneurial idea(s)

_____

_____

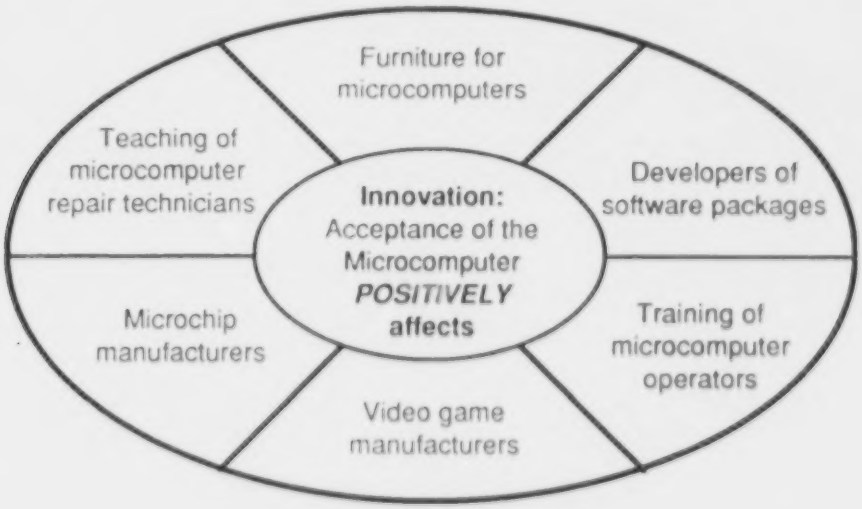
ACTIVITY 25

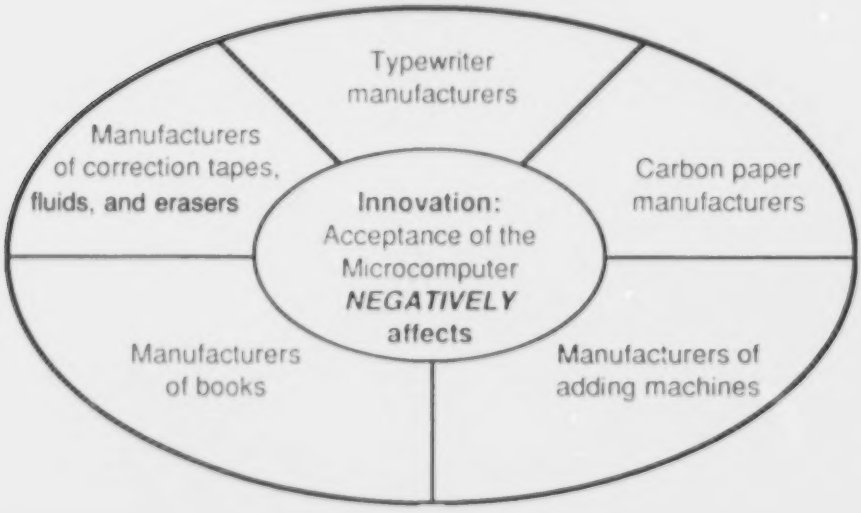
Ripple effects in the marketplace: microcomputers

INNOVATIONS GENERATE NEW INDUSTRIES AND ECONOMIC ACTIVITIES.

An innovation not only affects those making and selling the innovation, but also encourages the development and sales of related goods and services. Innovation can also affect some industries and companies in a negative way—meaning that they suffer because of the acceptance of the innovation.

The diagram below illustrates these points.


Furniture for microcomputers
Teaching of microcomputer repair technicians
Developers of software packages
Innovation: Acceptance of the Microcomputer POSITIVELY affects
Microchip manufacturers
Training of microcomputer operators
Video game manufacturers


Typewriter manufacturers
Manufacturers of correction tapes, fluids, and erasers
Carbon paper manufacturers
Innovation: Acceptance of the Microcomputer NEGATIVELY affects
Manufacturers of books
Manufacturers of adding machines

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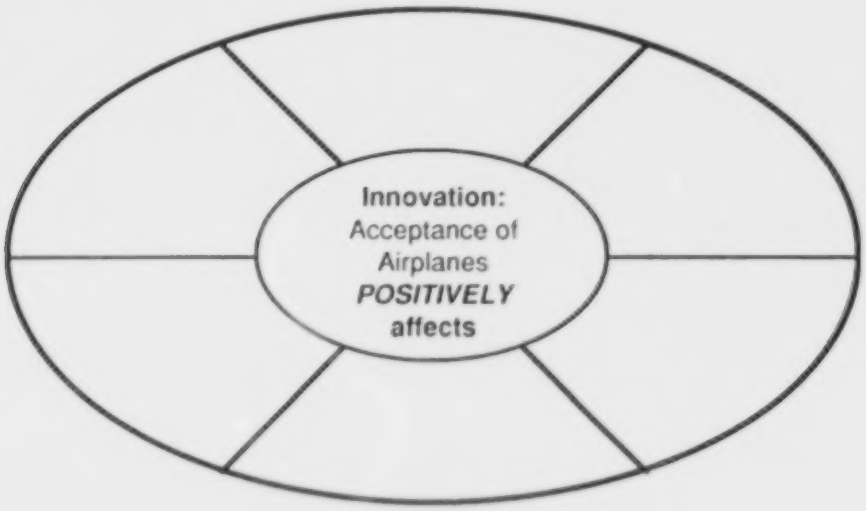
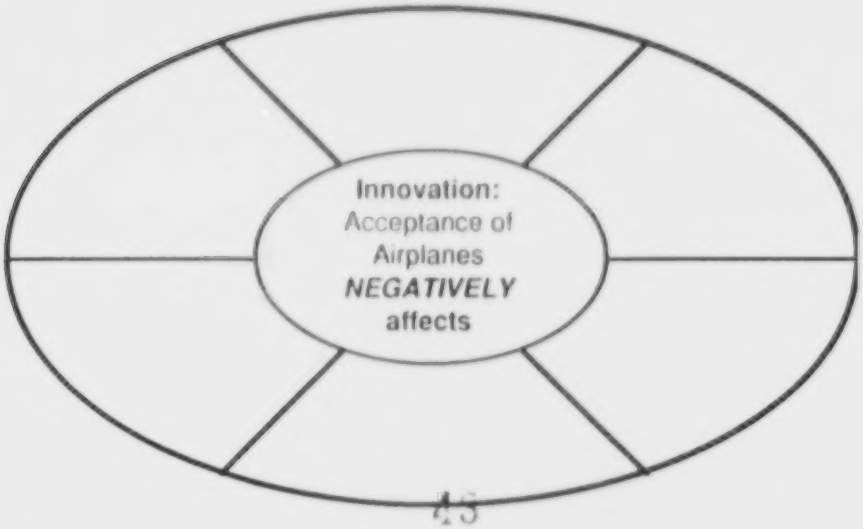
ACTIVITY 26

Ripple effects in the marketplace: airplanes

INSTRUCTIONS

Fill in the outer segments of the diagrams below with the names of producers of goods and services who were positively and negatively affected by the introduction of the airplane.





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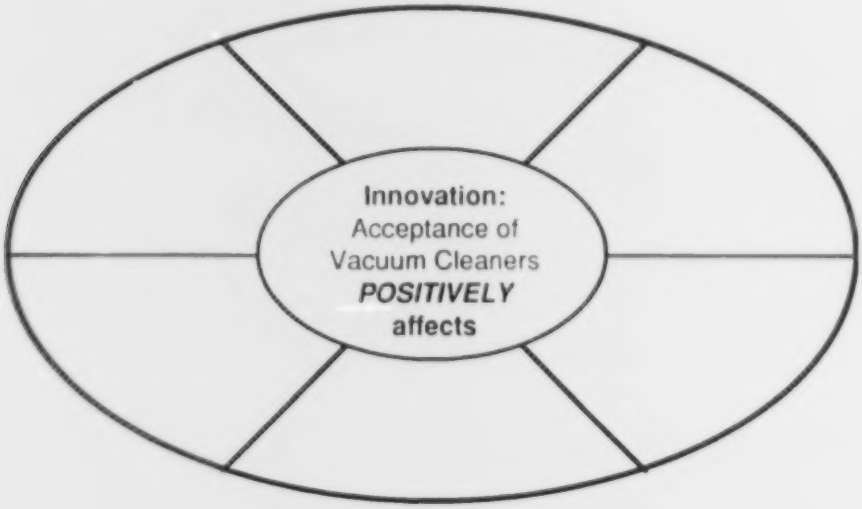
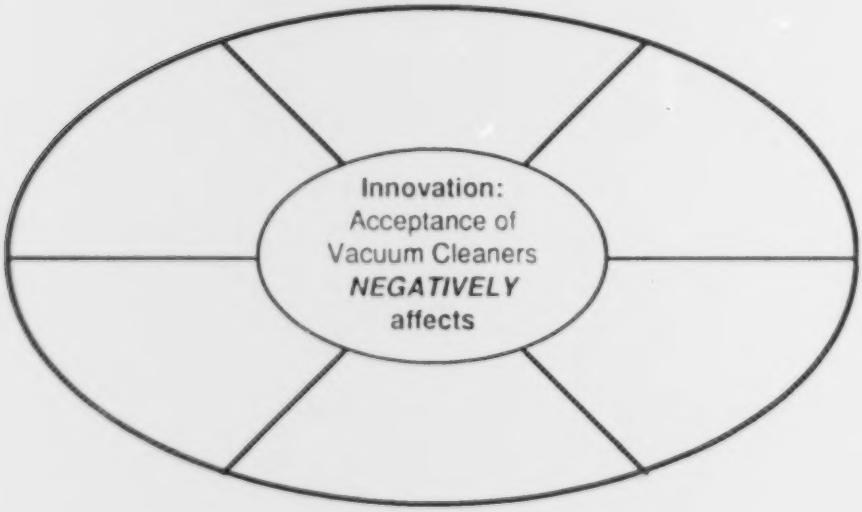
ACTIVITY 27

Ripple effects in the marketplace: vacuum cleaners

INSTRUCTIONS

Fill in the outer segments of the diagrams below with the names of producers of goods and services who were positively and negatively affected by the introduction of the vacuum cleaner.





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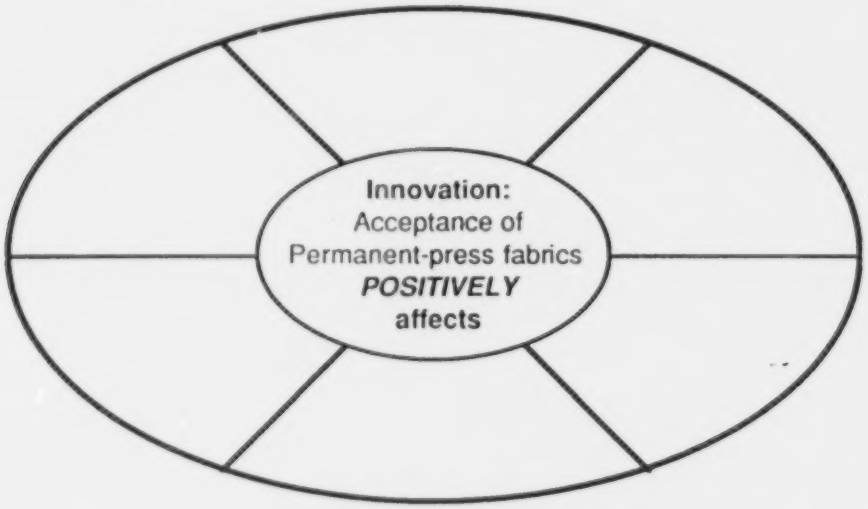
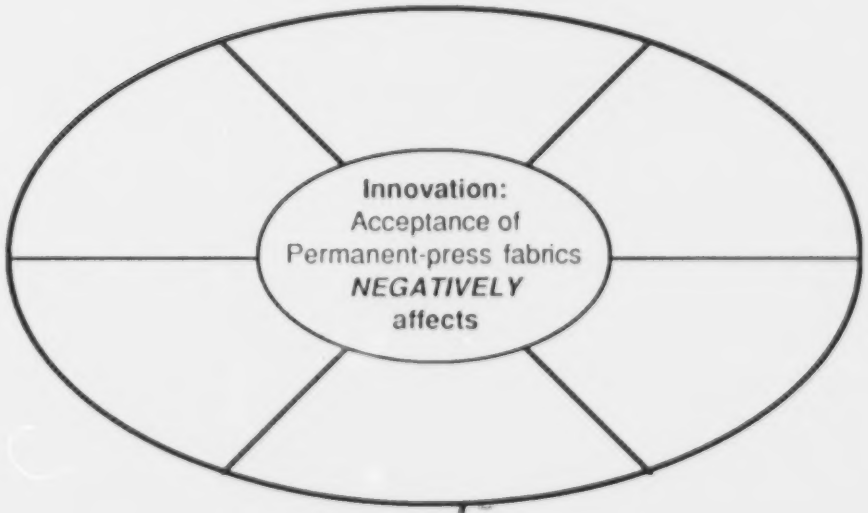
ACTIVITY 28

Ripple effects in the marketplace: permanent-press fabrics

INSTRUCTIONS

Fill in the outer segments of the diagrams below with the names of producers of goods and services who were positively and negatively affected by the introduction of permanent-press fabrics.





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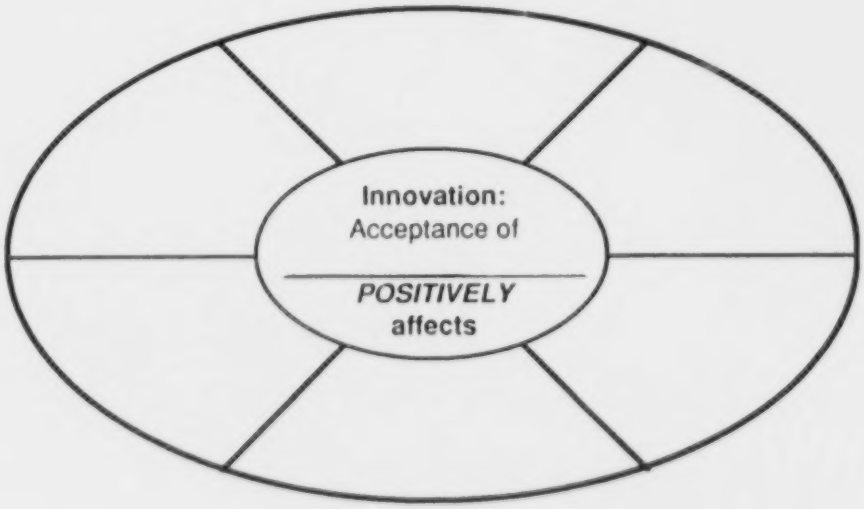
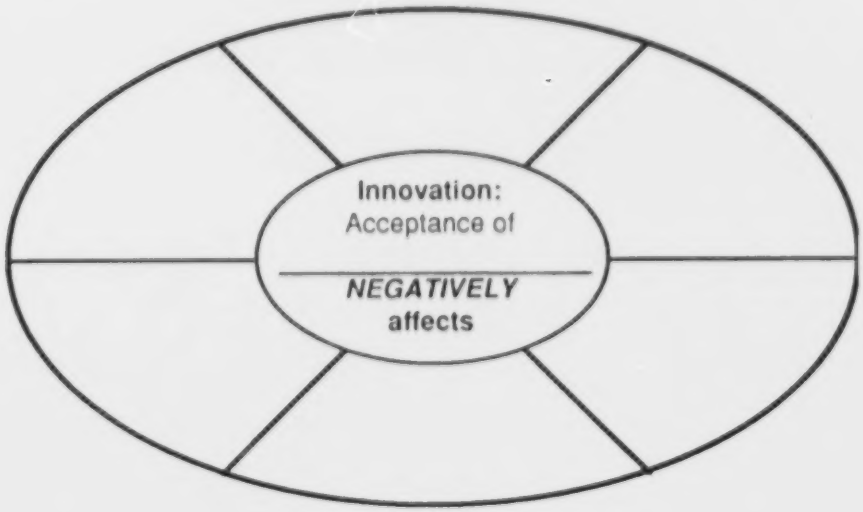
ACTIVITY 29

Ripple effects of an innovation

INSTRUCTIONS

Write the name of an innovation in the blank space provided in the inner segment. Fill in the outer segments of the diagrams below with the names of producers of goods and services who were positively and negatively affected by the introduction of the innovation.





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ACTIVITY 30

Comprehension quiz, lesson 8

THE LEAN, MEAN FLYING MACHINE

Let's suppose the activities of an entrepreneur result in the invention and successful marketing of a compact, inexpensive airplane that takes off without an extensive runway or airfield.

What businesses might be positively affected by this innovation?

Also suppose that this new airplane is as easy to operate as an automobile. What business/industries might be negatively affected by this innovation?

Write your answers in the spaces provided.

New businesses/industries that might be positively affected:

_____

_____

_____

_____

_____

Businesses/industries that might be negatively affected:

_____

_____

_____

_____

_____

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ACTIVITY 31

The demand for "Kookies"

PART A

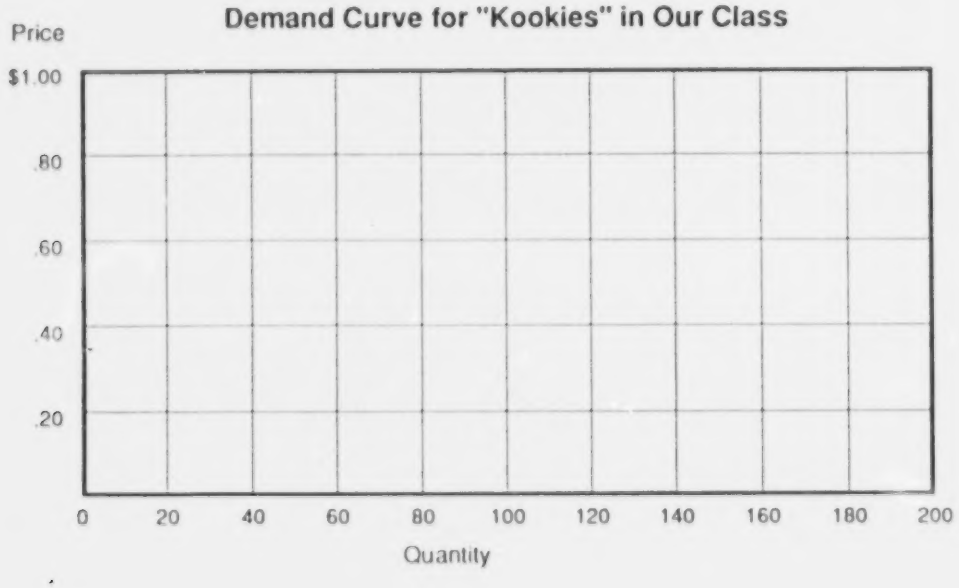
Suppose a bakery close to your school has decided to produce and market large (6 inches in diameter) chocolate chip cookies which they have given the trade name "Kookies." The owners of the firm have not decided what price to charge. They want to know how many they could sell at various prices.

To help them find out the information they want to know, complete the table below.

At this price	I would probably buy this many "Kookies" per week
$ .20 each	_____
.40 each	_____
.60 each	_____
.80 each	_____
1.00 each	_____

PART B

Construct a graph to show the total number of "Kookies" students in your class are willing to buy at each price.



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Name

ACTIVITY 32

What is happening to the demand for canned tuna?

PART I

Mary runs the only grocery store in a 12-block area of a large city. Many of her customers are elderly and don't have much income. Mary sells lots of canned tuna fish. It isn't too expensive, and it is a good source of protein. Mary charges 79 cents a can all the time, but she has noticed that her sales have changed from time to time.

Explain why the demand for tuna fish changed in each of the following situations.

1. When hamburger went up 20 cents a pound, Mary sold about 50 more cans of tuna fish each day. This probably happened because

2. Mary sells about 100 more cans of tuna fish a day at the start of a month than at the end of a month. This probably happens because

3. For a few weeks after there was an article in the newspaper about how healthful tuna fish is, Mary's sales increased 30 cans a day. This probably happened because

4. There was a truck drivers' strike and food deliveries were interrupted. Mary sold 100 cans more a day. This probably happened because

(*Continued*)

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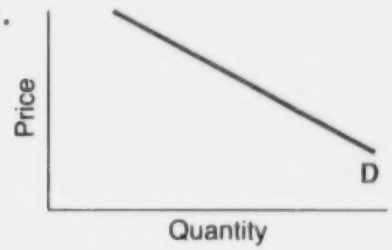
PART II

The graphs below represent the demand curve for Mary's canned tuna fish on a regular day.

Draw a new line to show what would happen to the demand curve in each of the situations described on the previous page. Would it shift to the left or right?

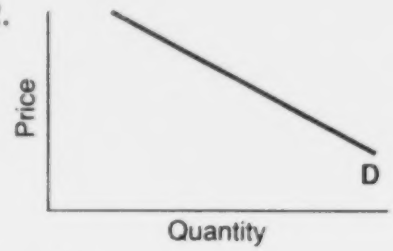
In the blank space provided, write the determinant of demand for each situation.

1.



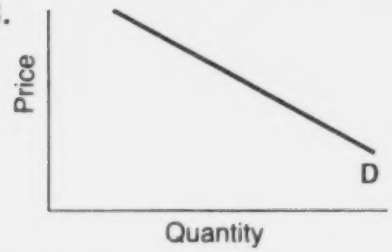
Determinant _____

2.



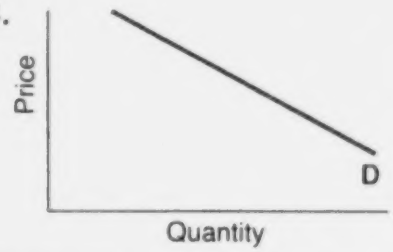
Determinant _____

3.



Determinant _____

4.



Determinant _____

Name _____

ACTIVITY 33

Factors affecting demand

Cut out advertisements from newspapers or magazines for two totally unrelated products. Consider the advertisements and then answer each of the following questions.

Be sure to attach the advertisements to your assignment when you hand it in.

1. To which of the four determinants of demand (income, tastes and preferences, the price of substitutes, or expectations of future changes) is each advertisement trying to appeal? Explain how you know this.

   Advertisement No. 1 appeals to _____. I know this because _____

   _____

   _____

   Advertisement No. 2 appeals to _____. I know this because _____

   _____

   _____

2. What would you estimate the price of each product is now?

   Product No. 1 $ _____ Product No. 2 $ _____

3. Restate the law of demand in your own words.

   _____

   _____

4. If the price of each of these products went up 5%, which one do you believe would suffer the greater loss in sales? Explain why.

   I believe product No. ____ would have the greater percentage loss in sales because

   _____

   _____

5. Describe how firms that sell the product you identified in question No. 4 might try to reduce their sales loss.

   _____

   _____

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Name

ACTIVITY 34

Comprehension quiz, lesson 9

PART I

Answer the following by placing the letter of the correct definition in the blank in front of each term.

Term	Definition
____ 1. demand	A. products that may not be exactly the same but which may be put to the same use
____ 2. determinant of demand	B. a graphic representation of the number of items that will be demanded at various prices
____ 3. demand curve	C. the willingness and ability to buy something
____ 4. substitutes	D. a belief in future changes that affects one's willingness to buy products now
____ 5. expectations	E. people will buy more units of a good at a lower price than at a higher price
____ 6. law of demand	F. anything, other than price, that affects customers' willingness to buy a product

PART II

Study the graph to the right and answer the following questions.

7. How many pairs of socks would be sold at a price of $4?

   ____ pairs

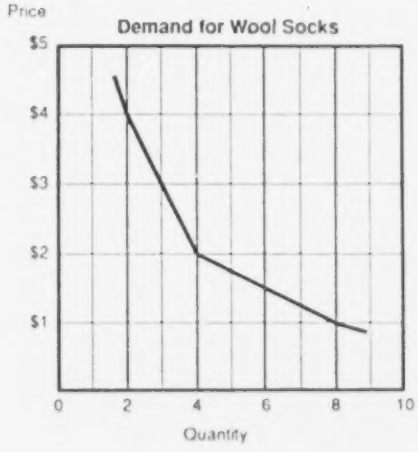
8. If there were a cold spell, would the demand curve for socks move to the left or to the right?

   It would move to the _____.

   Explain how the law of demand is demonstrated by the graph.

   _____

   _____



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Name

ACTIVITY 35

The supply of "Kookies"

Suppose you own a small bakery near the local high school. In recent months you noticed that your employees have little to do in mid-afternoon before the evening rush. You wonder if baking large cookies (which you would call "Kookies") to sell to students on their way home from school might be a good way to keep your employees busy and to earn more profit.

You have studied how your workers use their time and believe they could bake 100 cookies a day without having to cut back on any other products they make. To produce more than 100 cookies, they would have to reduce the production of other baked goods because your firm has only so many ovens and workers.

Another possibility would be to pay some workers overtime to stay late to bake cookies.

You conclude that if your sales of cookies grow over 100 a day, you will have to charge progressively higher prices to make up for your increasing costs of production.

The table below shows how many cookies you would be willing to offer for sale at various prices.

Study this information and answer the questions below.

At this price	I would supply this many "Kookies" per week
$ .20 each	none
.40 each	500
.60 each	700
.80 each	900
1.00 each	1,100

1. Why wouldn't you supply any cookies at 20 cents each?

2. Why do you require a higher price to produce more than 100 cookies a day (500 a week)?

(*Continued*)

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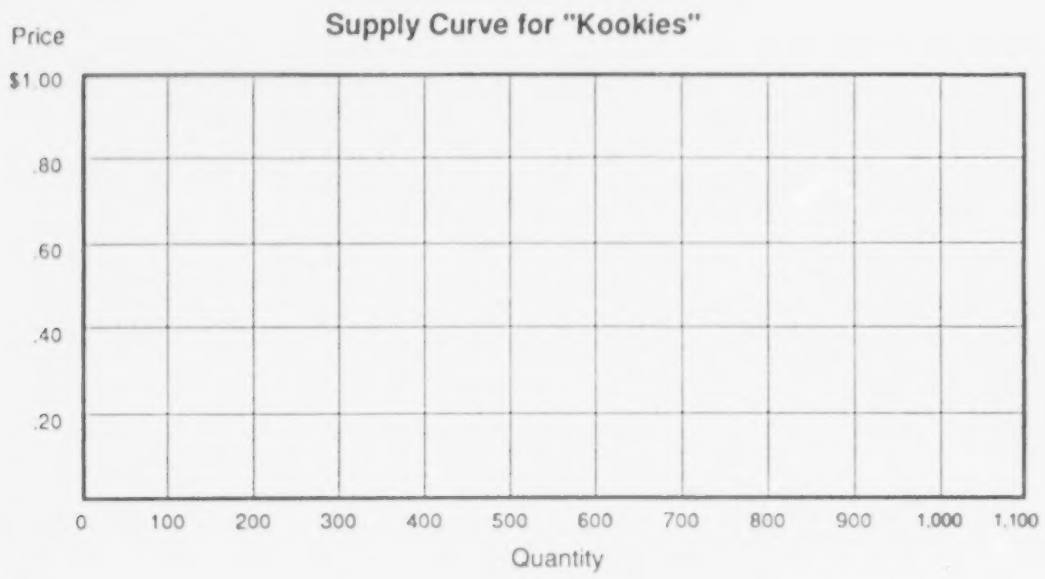
3. Plot the information from the preceding table on the graph below.



4. Explain how the graph of a supply curve demonstrates the law of supply.

Name

ACTIVITY 36

Arnold's fossil farm

Several years ago Arnold inherited over 1,000 acres of land in Wyoming from his uncle. When he went to look at it, he found it was on the side of a mountain about 50 miles from any town. The soil was loose, rocky, and nothing grew on it except a few weeds. When Arnold climbed up the mountain, he kept slipping and getting dirty. He was really depressed. He didn't think the land was worth anything. While he was climbing, he picked up an interesting looking rock and took it home with him. Later he put the rock on a shelf and didn't think any more about it for many months.

The next winter Arnold invited a friend who was a geologist to visit him. The friend happened to notice Arnold's rock and became very excited. He identified it as a fossil of a brachiopod from the Cambrian period. He said it was one of the best specimens he had ever seen and was certainly worth $10 to $20. Arnold thought there might be some value in the land after all.

The following summer Arnold went back to Wyoming and climbed all over his property. He found ten fossils the first day he was there just by looking around the bottom of his land. On the following days he went farther up the hill and found more specimens. Arnold discovered that he could expect to find about five fossils per acre, but the farther up the mountain he went, the more trouble they were to find. Arnold gathered about a hundred specimens and sold them to a scientific supply firm for $10 each. The money paid for the cost of his trip ($500) and left him several hundred dollars. Arnold thought this was the end of his business because he assumed he had found most of the fossils he could without actually digging up his land.

A year later Arnold passed by his land and stopped to look. To his surprise he found that erosion had uncovered more fossils. He realized he would be able to "harvest" fossils from his property every year. He could really run it like a business.

This year Arnold took time off from his job where he earns $20 an hour and spent five weeks in June and July on his property. He carefully timed himself as he looked for specimens.

He organized the information he gathered on the table below.

Fossils found	Time spent
first 100	20 hours
next 100	30 more hours
next 100	40 more hours
next 100	50 more hours
next 100	60 more hours
Total found = 500	**Total hours = 200**

(Continued)

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After collecting 500 specimens, Arnold went home to his regular job. He sold them for $5,000. Arnold's trip cost $750 ($500 transportation and $50 a week for the five weeks), plus his lost salary from his regular job ($20 × 40 hours × 5 weeks = $4,000).

He wants to figure out how much time he should take off next year to look for fossils.

1. Why did it take Arnold longer and longer to find more fossils?

2. How does this situation demonstrate the principle of increasing costs of production?

3. What would you recommend for Arnold? Explain why.

4. If the scientific supply firm was willing to pay Arnold $15 each, how would it affect the number of specimens he would supply?

5. How does this situation demonstrate the law of supply?

Name

ACTIVITY 37

What is happening to the supply of goods?

PART I

Mary runs the only grocery store in a 12-block area of a large city. Many of her customers don't have much income, so she finds it difficult to raise her prices without losing sales. She has found over the years that her willingness to supply various items has changed.

Explain why Mary's supply changed in each of the following situations.

1. When the cost of electricity went up, she took out one of her two freezers and offered fewer frozen foods for sale.

2. When Mary found she could sell candy to elementary school children who were going to school, she restocked half her cosmetics shelves with candy.

3. When Mary found she could rent the store next door for only $650 a month, she increased the size of her store and her selection of products by one half.

4. When Mary heard that a big grocery store was going to move in down the block, she stopped renting the store next door and cut her selection back to what it had been in the past.

(Continued)

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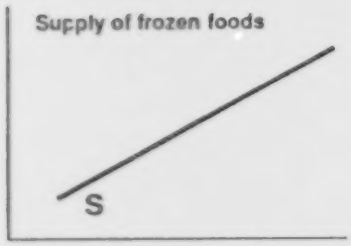
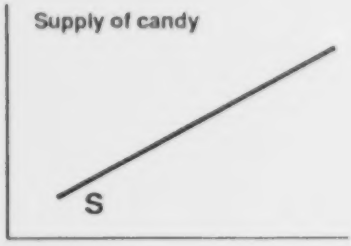
PART II

Each graph below represents the supply curve for one or more of Mary's products.
Draw a new line to show what happened to the supply curve in each of the cases on the preceding page.

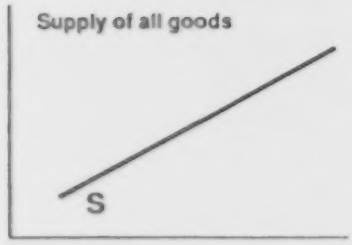
1.



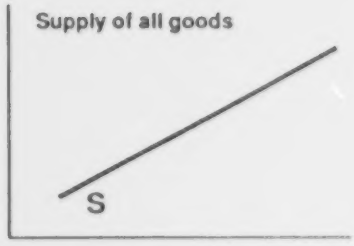
2.



3.



4.



Name

ACTIVITY 38

Comprehension quiz, lesson 10

PART I

From the list below, select the phrase that correctly completes each sentence and write the phrases in the appropriate blanks.

supply	increasing cost of production	supply curve	left
right	additional revenue	law of supply	additional cost

1. The _____ states that firms will offer more products for sale at higher prices than at lower prices.

2. Firms will supply more products as long as the _____ of making another item does not exceed the _____ generated by the sale of that item.

3. Firms are often unwilling to supply additional products unless they are able to charge higher prices because of _____.

4. The number of items a firm is willing to offer for sale at various prices is called _____.

5. A graphic representation of the number of items that will be offered for sale at various prices is called a _____.

6. Any event that increases the cost of production will cause the supply curve for that product to shift to the _____.

(*Continued*)

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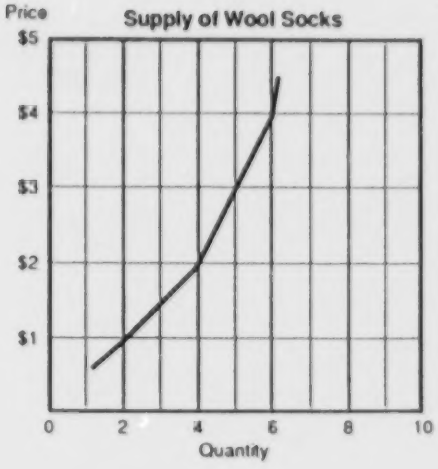
PART II

Base your answers to the following on the graph to the right.



7. How many pairs of socks would be supplied at a price of $4?

   _____ pairs

8. If there was a sickness that killed many sheep, would the supply curve for wool socks shift to the left or to the right?

   It would move to the _____ .

9. Explain how the law of supply is demonstrated by the graph.

_____

_____

_____

_____

Name

ACTIVITY 39

Demand for apples and equilibrium

Assume you want to buy apples for your apple pie bakery. The other student you are working with wants to sell them. The number of apples you are willing to buy and the number he/she is willing to sell depend on the price.

Below you will find a table that lists possible prices for apples in the first column. The next column states the number of apples you would be willing to buy at each of these prices. The third column is blank. You must fill in this column by asking the other student how many he/she will sell at each price. The final columns ask you whether there would be a surplus or a shortage at each price and how large that surplus or shortage would be.

When you finish the table, answer the questions below.

Demand and Supply for Apples

Price	Quantity demanded	Quantity supplied	Surplus or shortage	Amount
$10 a bushel	20 bushels	_____	_____	_____
8 a bushel	30 bushels	_____	_____	_____
6 a bushel	40 bushels	_____	_____	_____
4 a bushel	50 bushels	_____	_____	_____
2 a bushel	60 bushels	_____	_____	_____

1. At what price will the number of bushels of apples supplied and demanded be the same?

   _____

2. How many bushels of apples will be supplied and demanded at this price?

   _____ bushels

3. Would there be a surplus or a shortage at any higher price?

   There would be a _____

(Continued)

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4. Would there be a surplus or a shortage at any lower price?

   There would be a _____

5. Explain why a surplus would tend to force the price down.

   _____

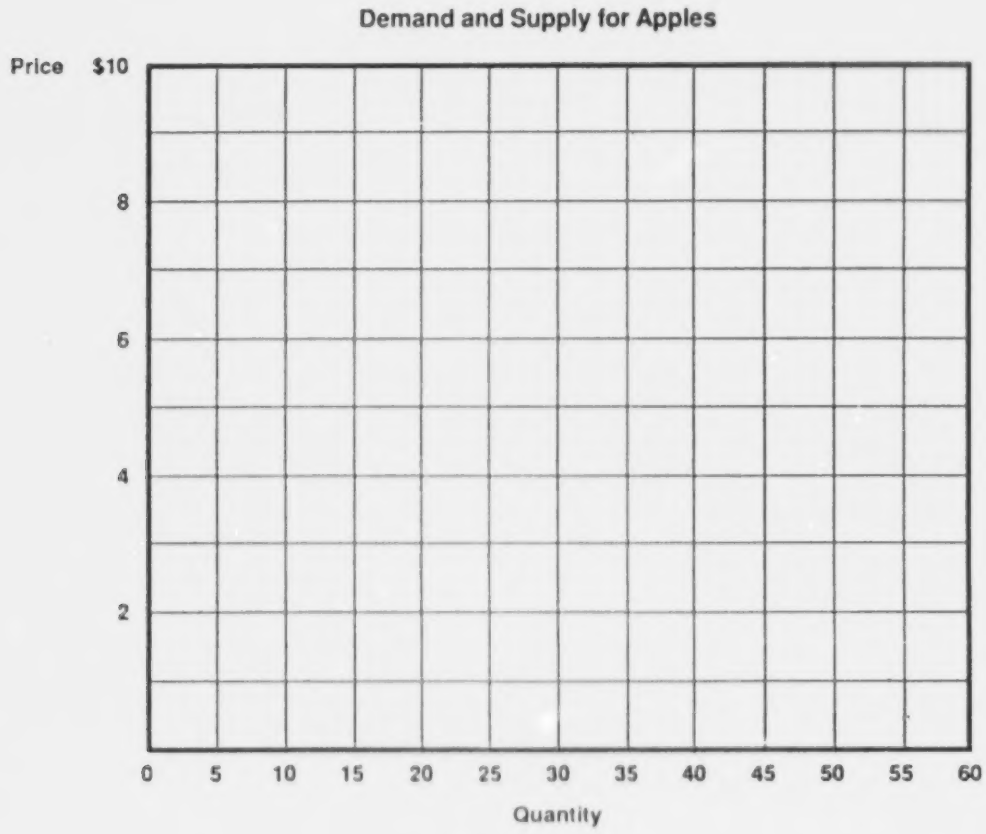
   _____

6. Explain why a shortage would tend to force the price up.

   _____

   _____

7. Draw demand and supply curves for apples on the graph below using the data on the table you completed on the previous page.



Name

ACTIVITY 40

Supply of apples and equilibrium

Assume you want to sell apples you will grow and harvest. The other student you are working with wants to buy them. The number of apples he or she is willing to buy and the number you are willing to sell depend on the price.

Below you will find a table that lists possible prices for apples in the first column. The next column states the number of apples you would be willing to sell at each of these prices. The third column is blank. You must fill in this column by asking the other student how many he or she will buy at each price. The final columns ask you whether there would be a surplus or a shortage at each price and how large that surplus or shortage would be.

When you finish the table, answer the questions below.

Demand and Supply for Apples

Price	Quantity supplied	Quantity demanded	Surplus or shortage	Amount
$10 a bushel	60 bushels	_____	_____	_____
8 a bushel	50 bushels	_____	_____	_____
6 a bushel	40 bushels	_____	_____	_____
4 a bushel	30 bushels	_____	_____	_____
2 a bushel	20 bushels	_____	_____	_____

1. At what price will the number of bushels of apples supplied and demanded be the same?

   _____

2. How many bushels of apples will be supplied and demanded at this price?

   _____ bushels

3. Would there be a surplus or a shortage at any higher price?

   There would be a _____

(Continued)

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4. Would there be a surplus or a shortage at any lower price?

   There would be a _____

5. Explain why a surplus would tend to force the price down.

   _____

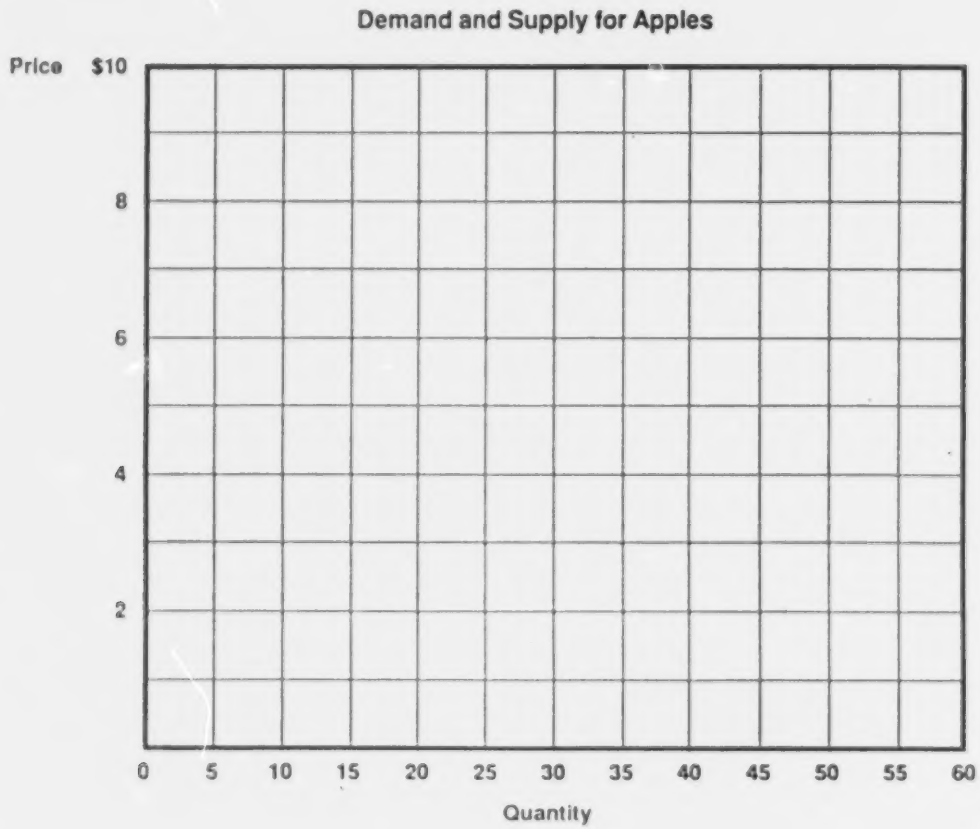
   _____

6. Explain why a shortage would tend to force the price up.

   _____

   _____

7. Draw demand and supply curves for apples on the graph below using the data on the table you completed on the previous page.



Name

ACTIVITY 41

The demand and supply for "Kookies"

A bakery has decided to sell large chocolate chip cookies it calls "Kookies" to local students.

A survey was taken among students who attend a nearby school. The results are provided on the table below. (Your teacher may ask you to use the data you gathered in your own class if you did Lesson No. 8.) The number of cookies the bakery would be willing to supply at different prices is listed in the table.

Study this information and answer the following questions.

At this price	The quantity demanded would be (use the blank for your class's values)	The quantity supplied would be
$ .20 each	1,100 _____	none
.40 each	900 _____	500
.60 each	700 _____	700
.80 each	500 _____	900
1.00 each	300 _____	1,100

1. At a price of 80 cents, how many "Kookies" would be demanded? _____

2. At a price of 80 cents, how many "Kookies" would be supplied? _____

3. Would there be a surplus or a shortage of "Kookies" at a price of 80 cents?

   There would be a _____ of "Kookies."

4. How large would the surplus or shortage be? _____

5. Would the price tend to go up or go down from 80 cents? _____

6. What is the equilibrium price in this example? _____

(Continued)

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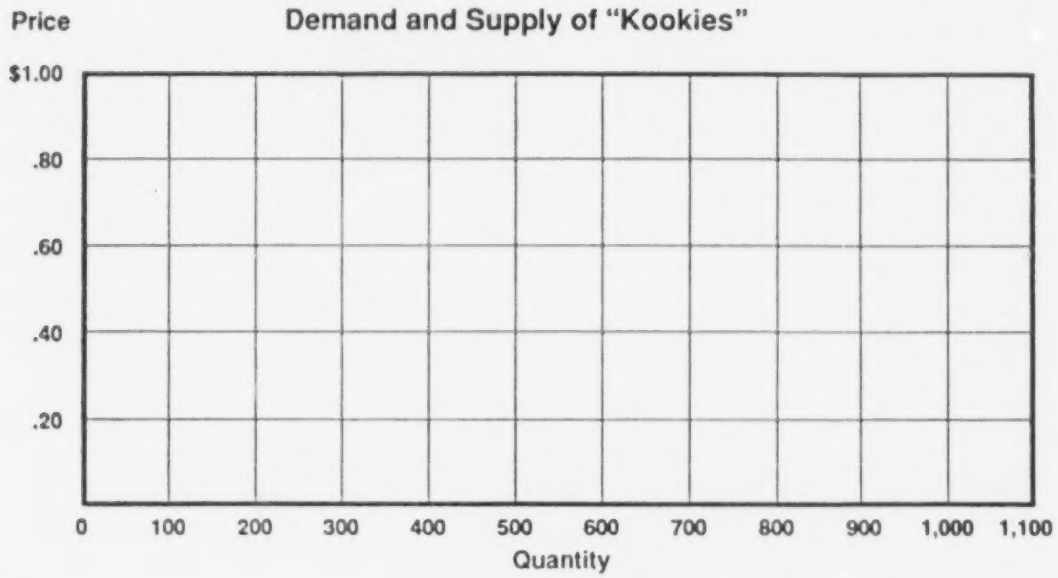
7. What quantity of "Kookies" will be sold at the equilibrium price? _____

8. Use the data from the table to draw a graph of the demand and supply of "Kookies."



Name

ACTIVITY 42

Demand and supply table

Fill in the grid below by writing the correct term in each box:
"Move left"—"Move right"—or **"Stay the same"** for demand and supply.
"Increase"—"Stay the same"—or **"Decrease"** for the equilibrium price.

Event	The demand curve would	The supply curve would	The equilibrium price would
The weekly allowance of students who buy "Kookies" goes up by $5			
One of the cooks in the bakery quits and the others have more work to do			
Another store that sold snacks to students in the area goes out of business			
The cost of gas to heat the bakery's ovens goes down 50%			
The head cook in the school cafeteria gets sick and is replaced by a cook who makes awful food			
There is a 25% increase in the cost of flour			

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Name

ACTIVITY 43

Comprehension quiz, lesson 11

PART I

1. At a price above the equilibrium price, there will be:
   a. a shortage of the product
   b. a surplus of the product
   c. as many products demanded as supplied

2. At the market equilibrium price, we:
   a. know the firm is earning a profit
   b. know the firm is making a loss
   c. don't know if the firm is earning a profit or making a loss

3. If there is a shortage of a product, then its current price is:
   a. above the equilibrium price
   b. below the equilibrium price
   c. equal to the equilibrium price

4. If many more people want to buy a product, its demand curve will move to the right and its equilibrium price will:
   a. go up
   b. stay the same
   c. go down

5. If the cost of making a product increases, its supply curve will move to the left and its equilibrium price will:
   a. go up
   b. stay the same
   c. go down

PART II

Base your answers to the following on the graph to the right.

6. What is the equilibrium price for wool socks?

   $ _____

7. How many pairs of socks will be bought and sold at the equilibrium price?

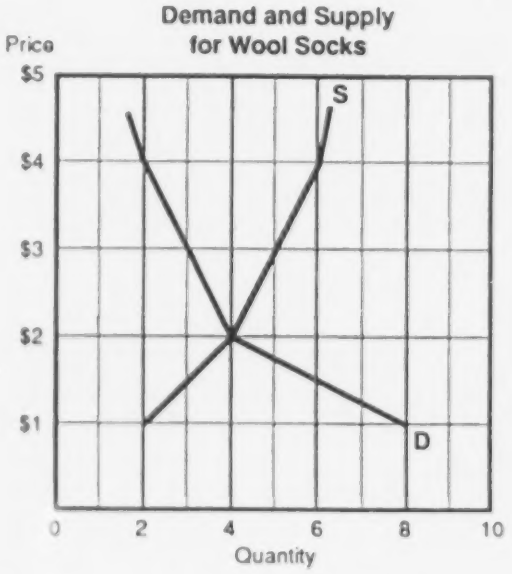
   _____ pairs of socks

8. At a price of $4, would there be a surplus or a shortage of wool socks?

   There would be a _____

9. How large would this surplus or shortage be?

   ____ pairs of socks



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Name

ACTIVITY 44

How big is the profit slice of pie?

INSTRUCTIONS

Assume that you are the owner of a successful retail store, and the circle (pie) below represents the total revenue for one year.

Out of the revenue earned, you must pay for the merchandise you sold. You must also pay operating expenses. Of course, you also expect to make a profit.

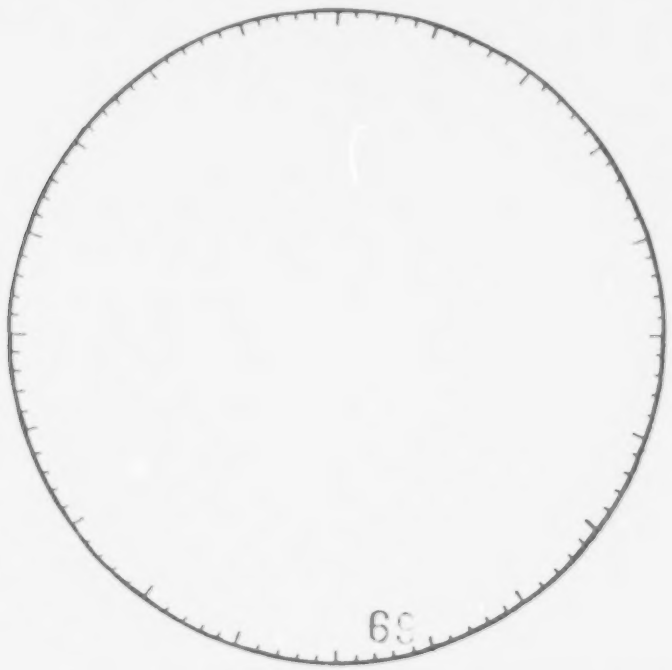
Divide the circle (pie) to show what portion of the total revenue you think will be profit, what portion will be used to pay for merchandise, and what portion will be needed for operating expenses.

a. To begin, mark off and label a slice of pie to represent the amount of profit you would expect to earn.

b. Then mark off and label a slice to represent payment for the merchandise sold.

c. The slice left represents the amount set aside for operating expenses. Do you think you have set aside enough for all the expenses associated with operating a business?

d. Make any adjustments in the three portions of the pie that you think are necessary.



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ACTIVITY 45

How is the pie divided?

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ACTIVITY 46

Fixed and variable costs

Sharon has wanted to own her own pottery shop for a long time. Last year she inherited $30,000 from her uncle. She used the money to go into business. She worked 50 hours every week making pots and running the store.

At the end of the year, she figured out her profit and was very disappointed. She wrote down all the information she gathered on a sheet of paper and tried to decide what she could do to improve her earnings.

Study the data and answer the questions below.

Total revenue (5,000 pots × $10 each)	**$50,000**	
Investment in equipment	15,000	_____
Investment in remodeling rented store	5,000	_____
Cost of clay and other materials used	9,000	_____
Cost of electricity and utilities	3,200	_____
Wages and benefits for one part-time helper	6,400	_____
Rent	4,800	_____
Insurance	1,200	_____
Advertising	1,800	_____
Bookkeeping service	3,600	_____
Other costs	2,000	_____
Total Expenditures	**52,000**	

1. Identify Sharon's costs as fixed, variable, or mixed by writing the correct word in the blank after each cost line.

2. How do you think Sharon should account for the value of her own time and labor?

_____

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(Continued)

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3. How much do you think Sharon could have earned if she had deposited her $30,000 in a bank? _____

4. Sharon looked at what she spent and what she took in and figured she had lost $2,000. Why was she wrong?

_____

5. If Sharon doesn't think her business is going to get any better, should she stay in business? Explain why, or why not.

_____

_____

Name

ACTIVITY 47

Profit projection form

PART I

Suppose your club wants to earn money by selling quarter-pound hamburgers at local basketball games.

You believe you could sell 3,000 hamburgers during the 12-game season at a price of $1.50 each. You must rent a booth at the gymnasium for $50 per night. Labor will be supplied free by members of the club. You need to predict your costs and profits. Complete the form below.

Check the prices at your local grocery stores for the food items included on the list.

Rent for a booth for 12 nights ..... $_____

Cost of ground beef for 3,000 hamburgers ..... $_____

Cost of 3,000 hamburger buns ..... $_____

Ketchup (one 32 oz. bottle per 50 hamburgers) ..... $_____

Mustard (one 16 oz. bottle per 100 hamburgers) ..... $_____

Pickles (one 32 oz. bottle per 50 hamburgers) ..... $_____

Onions (one pound per 50 hamburgers) ..... $_____

Paper napkins (one per hamburger) ..... $_____

Total cost of producing 3,000 hamburgers ..... $_____

Total revenue for selling 3,000 hamburgers ..... $_____

Profit or loss ..... $_____

PART II

Based on your projections for profit (or loss), would you recommend that your club sell hamburgers to earn money or would you recommend that they undertake some other activity? Why or why not?

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Name

ACTIVITY 48

Deciding on a club enterprise

1. Suppose your club wants to earn money by selling quarter-pound hamburgers at local basketball games.

   You believe you could sell 3,000 hamburgers during the 12-game season at a price of $1.50 each. You must rent a booth at the gymnasium for $50 per night. Labor will be supplied free by members of the club. You need to predict your costs and profits. Complete the form below.

   Check the prices at your local grocery stores for the food items included on the list.

Rent for a booth for 12 nights	$_____	( )
Cost of ground beef for 3,000 hamburgers	$_____	( )
Cost of 3,000 hamburger buns	$_____	( )
Ketchup (one 32 oz. bottle per 50 hamburgers)	$_____	( )
Mustard (one 16 oz. bottle per 100 hamburgers)	$_____	( )
Pickles (one 32 oz. bottle per 50 hamburgers)	$_____	( )
Onions (one pound per 50 hamburgers)	$_____	( )
Paper napkins (one per hamburger)	$_____	( )
Total cost of producing 3,000 hamburgers	$_____	
Total revenue for selling 3,000 hamburgers	$_____	
Profit or loss	$_____	

2. Identify each of the costs above as fixed or variable by placing the letter "F" or "V" in the parentheses at the end of each cost line.

3. If you had to pay workers a total salary of $100 a night instead of having volunteers from your club, what would happen to your profits? Should you continue to sell hamburgers in this case? Explain your answer.

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Name

ACTIVITY 49

Comprehension quiz, lesson 12

PART I

Complete the following by circling the letter of the best answer.

1. The correct formula for finding a firm's profit is:
   a. profit = total revenue − total cost
   b. profit = (price × number sold) − cost per item
   c. profit = (cost per item − price) × number sold

2. Many entrepreneurs overestimate their profits because they:
   a. don't keep records of their sales
   b. don't consider the value of their time
   c. don't try to control their labor costs

3. Resources tend to flow to firms that are efficient and profitable because:
   a. they have a greater need for those resources
   b. they use those resources more quickly
   c. they can afford to pay for those resources

4. If the owners of a firm have no expectation of ever earning a profit, they should:
   a. go out of business and put their money in a bank
   b. try to merge their business with another larger firm
   c. lower their prices so they can sell more items

PART II

Joe makes deliveries in the evening and on Saturdays for a local drug store. By carrying the items, he earned $80 each week. He saved his money until he had $4,000. Joe decided to buy a used car with his money. By driving the car, he is able to deliver more items and now earns $120 a week. Joe believes the car was a wise investment. Write a brief essay that explains why Joe probably is wrong.

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ACTIVITY 50

Types of business organizations

Sole proprietorship

A form of business organization that is owned and managed by one individual who assumes all risk of loss and receives all profits.

Partnership

A form of business organization that is owned by two or more individuals who assume all risk of loss and receive all profit.

Corporation

A form of business organization that is created by law, functions as a separate legal entity, and is owned by two or more individuals called stockholders. Stockholders are at risk only for the amount of their financial investment.

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ACTIVITY 51

Advantages and disadvantages of types of ownership

Forms of ownership	Advantages	Disadvantages
Sole proprietorship	1. Low start-up costs 2. Greatest freedom 3. All profits to owner 4. Owner in direct control	1. Unlimited liability 2. Lack of continuity 3. Difficulty in raising capital
Partnership	1. Easy to form 2. Low start-up costs 3. Divided authority	1. Unlimited liability 2. Lack of continuity 3. Divided authority 4. Difficulty in finding suitable partner
Corporation	1. Limited liability 2. Specialized management 3. Ease of raising capital	1. Close regulation 2. Most expensive to organize 3. Extensive record-keeping
Franchise	1. Smaller than usual capital investment 2. Prior public acceptance of product 3. Better than average profit margins 4. Management assistance	1. Possible high franchisor fee 2. Some loss of independence 3. Possible difficulties in cancelling contract

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ACTIVITY 52

Entrepreneurship interview guide

1. Name of entrepreneur
2. Name of entrepreneur's business
3. Type of business organization
4. List products of business (goods and/or services)
5. Number of employees
6. List benefits of business to society
7. Chart growth of business since its inception
8. Challenges in operating the business

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Name _____

ACTIVITY 53

What's the rate of interest?

INSTRUCTIONS

Please visit a local bank to determine the interest rate that they provide savers and charge borrowers on various types of accounts. For each option below, give a short description of the savings plan or loan in addition to the rate.

Savings Plans

I. Savings account

Rate _____

Description _____

_____

_____

II. Money market account

Rate _____

Description _____

_____

_____

III. Certificate of deposit

Rate _____

Description _____

_____

_____

IV. Other _____

Rate _____

Description _____

_____

_____

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(Continued)

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Types of Loans

I. Personal loan

Rate _____

Description _____

_____

_____

II. Commercial loan

Rate _____

Description _____

_____

_____

III. Car loan

Rate _____

Description _____

_____

_____

IV. Mortgage loan

Rate _____

Description _____

_____

_____

V. Other _____

Rate _____

Description _____

_____

_____

Name

ACTIVITY 54

Interest rates and expected returns

INSTRUCTIONS

Write the current prime interest rate in the appropriate space in the fourth paragraph.

Calculate the total interest rate and write this number in the appropriate space in the fourth paragraph.

Ted and Mary opened a florist shop about two years ago. Their business has been quite successful, and they are thinking about expanding. They would like to move out of their rented store into a larger building of their own. They need a delivery truck and a new cooler so they can keep more flowers for their growing sales.

Finally, they would like to replace their old mechanical cash register with a new electronic one that would help keep inventory, tax records, and other accounting data for the business.

Ted and Mary have assets worth $140,000, which they could borrow against (their home and a rental property), and $20,000 in cash. Their firm earned $40,000 after taxes on total sales of $320,000 in the past year, most of which they used to support themselves.

They went to several banks that all told them the same thing. They could borrow up to $150,000 at the prime interest rate (currently _____ %) plus an additional 2% for a total interest rate of _____ %.

Mary has studied each possible investment and has estimated the return they could be expected to generate.

She has listed her findings on the table below.

Study the data provided in the table below and answer the questions that follow.

Investment	Cost	Expected return
New building	$110,000	15%
Delivery truck	16,000	17%
New cooler	8,000	13%
New cash register and inventory system	6,000	11%

1. Which of these investments should Ted and Mary make at the interest rate they have to pay? (Assume her predictions are correct.)

_____

_____

_____

_____

(Continued)

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2. Explain why firms should always consider expected returns and interest rates before they borrow money to make investments.

3. Do you believe Ted and Mary should spend all of the $20,000 they have saved before they borrow from a bank? Explain your answer.

4. If the prime interest rate increased by 3% after Ted and Mary borrow $150,000 from the bank, how much more would they be forced to pay in interest this year if they had a loan that varied with the increase or decrease of the market interest rates? How important do you believe this might be to the financial success of their business? Explain your answer.

   Assuming the new and higher rate remains in effect for a year, it will cost $ _____ more in interest this year. (Amount borrowed × .03 = answer)

Name

ACTIVITY 55

Comprehension quiz, lesson 14

PART I

Answer the following by circling the letter of the best answer.

1. The rate of interest that a borrower must pay depends on all of the following EXCEPT:
   a. the risk of the loan not being paid back
   b. the value of collateral the borrower owns
   c. the price of the products the borrower sells

2. A firm should borrow money to pay for a new machine if its expected rate of return is:
   a. greater than the interest rate
   b. equal to the interest rate
   c. less than the interest rate

3. Banks earn money by paying depositors:
   a. a lower interest rate than they charge borrowers
   b. the same interest rate that they charge borrowers
   c. a higher interest rate than they charge borrowers

4. Lenders demand interest to compensate themselves for:
   a. the risk they are taking
   b. giving up the use of their money at the present time
   c. both a and b

5. If the economy is doing well and most businesses expect their profits to grow, we should expect the amount of money borrowed to:
   a. decrease
   b. increase
   c. stay the same

PART II

A business named Amalgamated Applesauce, Inc. has three investments it is considering borrowing money to finance. At the present time it must pay 15% for any money it borrows. However, if the prime interest rate goes up or down in the future, the rate the company must pay will also rise or fall. The investments the company is considering are:

a steam cooker which should return 12% a year

a canning machine which should return 18% a year

a machine that puts cans in boxes which should return 15% a year

6. Decide if the firm *should* or *should not* borrow to make the investment indicated. Underline the action you think the firm should take and explain your decision.

   a. The firm (should/should not) buy the steam cooker because

_____

_____

_____

(Continued)

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b. The firm (should/should not) buy the canning machine because

c. The firm (should/should not) buy the boxing machine because

7. Explain why it is important for firms who borrow money to be aware of trends in interest rates.

Name

ACTIVITY 56

The lawn and garden doctors

When Joe graduated from high school, he couldn't find a job he wanted so he went into business for himself cutting grass. He bought a used truck, a used lawn tractor, and a number of hand tools. Everything he needed cost just over $8,000. Joe went door to door asking people if they would like him to cut their grass. Joe discovered there were at least eight other lawn services doing business in town. Most people who wanted to have their grass cut already had a different firm doing it.

At first Joe tried to charge high prices because he thought this would allow him to pay his bills and earn a good profit. Many people he called on told him his competitors' prices were much lower. Joe decided to lower his prices and soon he had quite a few customers. In order to cut all the lawns he had agreed to do, Joe had to work quickly and didn't do a good job. Some of his customers told him not to come back because his work wasn't as good as they expected. Finally Joe ended up charging the same price as the other lawn services and did the same quality work. Joe wasn't happy because he wasn't making much money.

Joe decided he had to do something to improve his profits. He contacted a friend named Frank, who ran a business caring for ornamental plants. When Joe went to a customer's home to cut the grass, Frank came along and examined the owner's plants. When he was ready to leave, Joe gave the owner a free list Frank had made of plant problems along with suggestions for how the plants could be made healthy.

Most of his customers were happy to have the list. Some of them hired Frank to take care of their plants. Joe and Frank became partners and found they could charge higher prices because their lawn service had more to offer than that of their competition. Word of Joe's new service spread and he soon had many new customers. Joe and Frank changed the name of the business to "*The Laun & Garden Doctors*" and advertised their special service in local newspapers. They now own the most successful lawn service in town.

1. What happened to Joe's business when he charged more than other firms?

2. What happened to Joe's business when ow-quality work?

3. Explain how you know the business Joe started was in a competitive market.

4. Why do firms in competitive markets often have low profit margins?

5. What did Joe and Frank do that allowed them to charge higher prices and still have more customers?

6. Explain why their new business is an example of monopolistic competition.

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Name

ACTIVITY 57

The market for pain relievers

Most products sold as pain relievers contain one or more of four basic ingredients. These are:

- aspirin (acetylsalicylic acid)
- acetaminophen
- ibuprofen
- caffeine

Go to a local store and survey the pain relievers offered for sale. Complete a form for each product. When you have finished, identify specific advertisements you have seen or heard for each product.

Consider how the manufacturer is trying to distinguish its product from other similar products.

Product's name Price per 100

Active ingredients

Is this product advertised? If so, how?

Product's name Price per 100

Active ingredients

Is this product advertised? If so, how?

Product's name Price per 100

Active ingredients

Is this product advertised? If so, how?

Product's name Price per 100

Active ingredients

Is this product advertised? If so, how?

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Name

ACTIVITY 58

Pizzas

In most areas there are many businesses that offer pizza for sale.

Identify three specific pizza restaurants in your neighborhood. Find the following information for each store and answer the questions below.

When you visit the stores, try to look at the quality of their pizza.

Store No. 1:	**Store No. 2:**	**Store No. 3:**
_____	_____	_____
Price of 12-inch pepperoni pizza:	Price of 12-inch pepperoni pizza:	Price of 12-inch pepperoni pizza:
$ _____	$ _____	$ _____
Price of each additional topping:	Price of each additional topping:	Price of each additional topping:
$ _____	$ _____	$ _____
This store tries to differentiate its pizza from competing stores by:	This store tries to differentiate its pizza from competing stores by:	This store tries to differentiate its pizza from competing stores by:
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

1. How much difference is there in the prices the stores charge for their pizza?

   _____

2. Describe any differences in the quality of the pizzas.

   _____

   _____

3. Describe the degree of success you believe the firms have had in distinguishing their products from each other.

   _____

   _____

4. Describe what you would do to try to improve your profit margin if you owned one of these firms.

   _____

   _____

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Name

ACTIVITY 59

Comprehension quiz, lesson 15

PART I

Read the statements below.

Place a "T" in front of each of the statements you think is true and ignore the space below.

Place an "F" in front of each of the statements you think is false; then write the statement correctly in the space provided.

____ 1. Products offered for sale by firms that sell in the same competitive markets are often quite different.

_____

____ 2. Competitive firms are often called "price takers" because their customers are forced to "take" whatever price they charge.

_____

____ 3. Firms that sell in the same competitive market all charge about the same price.

_____

____ 4. Competitive firms often try to achieve product differentiation.

_____

____ 5. Firms in monopolistic competition are more likely to earn good profits than competitive firms because their products are more important.

_____

_____

(Continued)

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PART II

6. Explain two reasons why most single proprietorships do business in competitive markets.

a. _____

_____

b. _____

_____

7. Describe one specific example you know of in which a firm has tried to distinguish its products from others that are really much the same.

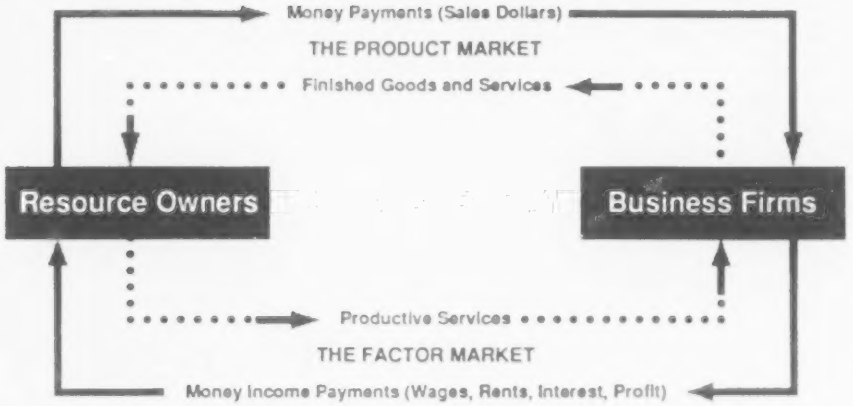
_____

_____

_____

ACTIVITY 60

*Circular flow model**



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Name

ACTIVITY 61

The handprint business

Your teacher has drawn four 3-foot-square boxes on the board. Some of your classmates are going into the "handprint" business.

Your teacher will pay $.50 (pretend) for each traced handprint that is of reasonable quality and does not overlap any other handprint.

In the first box, one student will have one minute to trace as many of his or her handprints as possible. The student is paid a wage of $5 (pretend). When the minute is up, add the number of prints made and see how much money was taken in, compared to the cost of the worker, and how much was earned in profit.

Repeat the process in each of the next three boxes, adding one more student/worker for each box. Remember each added worker must be paid the $5 wage. Complete the table below to help you answer the following questions.

When there were this many workers	the number of prints made was	they were worth	the worker(s) were paid	the amount of money earned was
1				
2				
3				
4				

1. What happened to the number of additional prints produced as extra workers were hired?

2. What happened to the value of added workers?

3. Why did this happen?

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Name

ACTIVITY 62

Sharon's firewood

Sharon is an elderly woman who owns 40 acres of woodland in rural Iowa. Sharon is too old to do much work herself. Two years ago a tornado blew down most of the trees on her land. Sharon was upset but thought there was little she could do about it. A few weeks ago, one of Sharon's friends suggested she hire some local high school students to cut the trees up and sell them for firewood. The man said she could probably get $45 for each cord of wood, and most of the local farmers would be willing to pick it up from her home.

Sharon decided to try the idea. She hired her neighbor's 17-year-old son Tim and agreed to pay him $5 an hour to cut wood for eight hours on Saturday. He used a 6-foot-long cross-cut saw she owned and a hand axe. Working all day, he managed to cut one cord of wood, which Sharon sold for $45. Sharon paid Tim $40, which left her $5 in profit. She decided to try it again. This time Sharon asked Tim to bring one of his friends to help. To her surprise, Tim and his friend were able to cut four cords of wood working together. They explained that the saw was really too big for one person, but the two of them together could just "whip" right through those logs. Sharon was thrilled. She paid the boys a total of $80 and sold the wood for $180, earning $100. Sharon told the boys to come back the next time and bring another friend.

The following Saturday, the three boys cut six cords of wood. Sharon increased her employment one more time to four boys but discovered they cut six cords, just the same as the three boys had cut the week before. She became angry at them and accused them of being lazy. They denied it and said there really wasn't much for the fourth boy to do while two boys used the saw and one the axe. She decided to keep on with her business but to employ only three boys.

Consider the information above and answer the following questions.

1. Complete the following table.

When Sharon had this many workers	they cut this many cords	she paid them this much	she sold the wood for	and earned
1				
2				
3				
4				

2. How does this situation demonstrate the principle of diminishing marginal productivity?

(*Continued*)

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3. Why couldn't four boys cut any more wood than the three?

_____

4. What might Sharon have done to increase the value of the fourth boy?

_____

_____

5. If Sharon found she could sell only four cords of wood a week, how many boys should she hire? _____

6. How does this example demonstrate the fact that the demand for labor is a derived demand?

_____

_____

7. Identify an example of each of the four factors of production in this story.

Land _____

Labor _____

Capital _____

Entrepreneurship _____

Name

ACTIVITY 63

Comprehension quiz, lesson 16

PART I

Answer the following by placing the letter of the correct definition in the blank in front of each term.

Term	Definition
____ 1. derived demand	A. the price a firm charges for its products times the number sold
____ 2. diminishing marginal productivity	B. things used to produce other goods and services
____ 3. factors of production	C. a willingness to purchase a factor of production that depends on a firm's ability to sell its product
____ 4. total revenue	D. the difference between the amount a firm takes in when it sells its product and the amount it spends to make the product
____ 5. total cost	E. as more workers are hired, a point is reached where each additional worker results in ever smaller amounts of additional production
____ 6. profit margin	F. the amount spent by a firm to be able to offer goods for sale

PART II

Read the story below and answer the following questions.

The Apex Golf Ball Co. has had a good year. It has been able to sell as many balls for $1 each as it could manufacture.

To make golf balls, the firm must pay for labor plus $.40 per ball for other expenses. At the start of the year, the company employed 10 workers who were paid $60 a day including all fringe benefits. During the year more workers were hired, one at a time, until there were 15 workers. The company didn't buy any more machines to make balls.

The owners gathered data about what happened and organized it in the table below. They tried to analyze the information but aren't sure what it means. They have asked you to study their data and answer the questions that follow.

(Continued)

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Apex Golf Balls Financial Data

Workers	Balls per day	Sales per day	Other costs	Total wages	Total cost	Total profit
10	4,000	$ 4,000	$ 1,600	$ 600	$ 2,200	$ 1,800
11	4,350	4,350	1,740	660	2,400	_____
12	4,650	4,650	1,860	720	2,580	_____
13	4,800	4,800	1,920	780	2,700	_____
14	4,900	4,900	1,960	840	2,800	_____
15	4,950	4,950	1,980	900	2,880	_____

7. Fill in the total profit column by subtracting the amount in each total cost column from the corresponding amount in the sales per day column. The first one has been done as an example.

OWNER QUESTIONS

8. Why does the number of additional products produced keep going down as we hire more workers?

_____

_____

9. How many workers should have been hired?

_____

_____

_____

_____

10. What is the most profit that could be earned in a day? _____

11. We expect the cost of our raw materials to go up to $.50 per ball. What should we do to protect our profit margin?

_____

_____

Name _____

ACTIVITY 64

Effects of government on the entrepreneurial enterprise

INSTRUCTIONS

Imagine that the following statements are headlines of articles. Each of them relates to governmental intervention in the marketplace, especially for the small business owner. For each headline, indicate the following:

a. Why the government has intervened

b. What effect the intervention has on the owners of small businesses who are affected by the action

1. Restaurants closed by public health inspector because of cleanliness violations

   Reasoning for intervention _____

   _____

   Effects on small businesses _____

   _____

   _____

   _____

2. Government program provides free advice to entrepreneurs

   Reasoning for intervention _____

   _____

   Effects on small businesses _____

   _____

   _____

   _____

(Continued)

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3. Minimum wage increased—affects many area small businesses

Reasoning for intervention _____

_____

Effects on small businesses _____

_____

_____

4. Inexpensive courses in small business management funded by the government

Reasoning for intervention _____

_____

Effects on small businesses _____

_____

_____

5. Area firms install new equipment to make work areas safer

Reasoning for intervention _____

_____

Effects on small businesses _____

_____

_____

_____

6. Area firm fined by government for using misleading advertising

Reasoning for intervention _____

_____

Effects on small businesses _____

_____

_____

_____

(Continued)

7. Based on the previous instances of government intervention, complete the following statement:

Government affects small businesses in a number of ways. Some activities, such as _____ _____ encourage small business development. If these activities are successful, the direct costs of these activities to the firm are less than the increased profitability that results. In other instances, government contributes to the cost of doing business. Examples include _____

_____

_____

Generally, these forms of intervention are meant to protect or aid a particular group who works for or buys goods and services from small businesses.

8. Many entrepreneurs believe there are too many regulations aimed at small business. They believe we should have more of a laissez-faire economy. Why do you think this belief is held by many entrepreneurs?

_____

_____

_____

_____

_____

_____

_____

_____

Name

ACTIVITY 65

Batesville

INSTRUCTIONS

Read the story and answer the questions below.

Batesville is a rural town in the Midwest with a high rate of unemployment. The only industry in town, a chair factory, closed down four years ago. Since then many of the people who lived in Batesville have moved away. Nearly everyone feels poor and depressed.

Last week some industrialists from Chicago came to Batesville to announce that they wanted to manufacture fertilizer in the building the chair business once owned. They said rebuilding the plant would require an investment of over $20,000,000 and employ 120 people. When the factory finally goes into production, it would create 45 full-time jobs and put about $1,300,000 into the local economy every year.

At first almost everyone was happy with the proposal. Some even suggested to the town leaders that reduced property taxes should be given to the firm for the first 16 years to make sure that it moves to Batesville. Others were a bit more skeptical. They were concerned about the effect that fertilizer production would have on the quality of their air and water. Residents with homes located close to the former chair factory were concerned about their property values if the fertilizer firm moved in.

A town meeting was called to discuss the matter. The various points were presented.

Please clarify various viewpoints by answering the following questions.

1. One person indicated there are tremendous benefits to almost everyone in Batesville. Therefore, the town should provide this reduction of property taxes in order to encourage the firm to locate their operation in Batesville.

   a. In what ways would the entire town benefit if the firm moved into Batesville?

   b. Why is the property tax reduction a way to get almost everyone in the community contributing to the incentive for the firm?

(Continued)

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2. A presenter also mentions that some of the citizens brought up concerns that focus on additional costs to the residents because of the presence of the new fertilizer plant.

   a. What additional costs are generated to all residents of Batesville if the plant creates considerable air and water pollution?

   b. What additional costs are generated to the residents of homes close to the old chair factory if the fertilizer business moves into Batesville?

   c. How can government alleviate those concerns?

(Continued)

3. As seen here, government intervention can lead to activities that encourage businesses and discourage businesses. Explain what this means in relationship to this situation.

4. From what you have read, do you think the plant should be converted to produce fertilizer in Batesville? Explain your answer.

Name

ACTIVITY 66

Comprehension quiz, lesson 17

ANSWER THE QUESTIONS BELOW:

1. Name three ways in which government can decrease the costs of a small business and provide reasons why government would provide these benefits.

2. Name three instances in which government can increase the costs of a small business and provide reasons why government would put these actions into effect.

3. Sometimes the interests of the small business owner conflict with the interests of others in the society, such as the consumer, the wage earner, or the general citizen. Provide three examples showing how this principle is true.

4. New business development in a community has many advantages, such as more income in the community, more tax revenue, and more jobs. There can also be a negative side for new business development. Name at least three disadvantages that may be present in new business development.

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